

ESF/PA/3-2001

*Explanatory leaflet to the ESF Eligibility Rules for the period
1 January 2000 – 31 December 2006*

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**Explanatory leaflet
to the
ESF Eligibility Rules**

for the period 1 January 2000 – 31 December 2006

Paying Authority

Department of Enterprise, Trade and Employment

Annex 1:

Rules Governing Match Funding and Contributions from the Private Sector

The explanatory leaflet is intended to assist organisations and applicants to prepare the annual ESF claims of assistance.

It is not, nor is it intended to be a full list of eligible items.

While every effort has been made to ensure that the list is as comprehensive as possible, it is not exhaustive. Clarification of any items not included in the leaflet should be sought from the ESF Paying Authority, Department of Enterprise, Trade and Employment

Eligibility of Expenditure

The eligibility of expenditure is assessed against three criteria:

- *date the expenditure was incurred. This must be relate to activity which took place within the approved period;*
- *purpose of the expenditure. This must be in accordance with the objectives contained within the application;*
- *type of expenditure. ESF contributes to certain items of expenditure incurred in the delivery of ESF activities.*

Paying Authority
Department of Enterprise, Trade and Employment

Eligible items of expenditure
Effective 1 January 2000

The following items of expenditure are eligible for ESF purposes. Applicants should note that the list is comprehensive but not exhaustive of the types of expenditure for ESF purposes. Clarification, on any item not listed should be sought from the ESF Paying Authority, Department of Enterprise, Trade and Employment.

Staff Costs

- ***Salaries***

- *this can include employers' PRSI. and pension contributions where these are real costs.*
- *grades and pay scales should be shown where applicable.*
- *where training venues include non-ESF activity, relevant salary costs must be excluded.*
- *evidence of actual time spent on ESF activity, such as time sheets must be maintained.*

- ***Travel and Subsistence***

- *Costs per staff member and duration where appropriate should be shown and must relate to ESF activities only.*
- *Mileage rates must be agreed with the Paying Authority.*

- ***External Training Activity***

- Cost of external training for staff in connection with the ESF activity can be claimed. Show the number of staff involved and the cost of the course per person.

TRAINEES / STUDENTS COSTS

- **Wages / Allowances / Grants of trainees / students**

- *Wages and allowances may include Employers' PRSI.*
- Calculations should show the number of trainees, rates, and duration (preferably in hours and weeks), sub-totalled where there are variations.
- Grants, at the appropriate rates, should be based on certified attendance, this includes certified sick leave.

- **Daily Travel Expenses:**

- *Daily travel costs for beneficiaries: costs per beneficiary, per day should be shown.*

- **Travel and Accommodation for External Courses:**

- For external courses, duration and costs of travel and accommodation should be shown. The actual *cost of the courses must be evidenced and shown under 'other costs'.*

- **Costs for Care of Trainees' / Students' dependants:**

- Costs incurred by trainees / students towards the care of children or other dependants, is allowed. Evidence of the hourly or weekly costs and the number of trainees / students must be maintained.

OTHER COSTS

- **Purchase of Equipment, Furniture and Fittings to a value of €7,000¹**

- For ESF purposes only, equipment, furniture and fittings, up to a value of €7,000 per item (including non-redeemable VAT), is considered eligible. Individual items, of a value in excess of €7,000 must be depreciated.
See separate note on depreciation.

The threshold amount, above which equipment, furniture and fittings must be depreciated, will be reviewed periodically, by the Paying Authority.

- **Refurbishment Costs**

- For ESF purposes only, annual refurbishment costs on individual buildings, up to a maximum amount of €7,000² are allowable. Amounts in excess of this threshold level must be depreciated applying the rates outlined in the Depreciation of Buildings note.

The threshold amount, above which refurbishment costs must be depreciated, will be reviewed periodically, by the Paying Authority.

- It should be noted that ESF supports the running costs of a project and not the capital costs.

- **Depreciation of Purchased Equipment**

- The method of calculating depreciation must be in line with the organisation's accounting policy. Claims should be based on the actual depreciation charge for the period of the project. For ESF purposes, it is expected that the minimum number of years over which any item (including computer equipment and software) maybe depreciated is three years.
- If non-exchequer capital grants, in respect of equipment, are received, appropriate deductions should be made from the costs of the fixed assets before depreciation is calculated for ESF purposes.
- Proper working papers should be maintained detailing how the depreciation costs have been calculated for ESF. These would include the costs, descriptions and location of the items purchased; the purchase date; the method of depreciation; whether the equipment was used wholly or partly for ESF purposes, and, where relevant, the estimated residual value.

¹ In cases where the total cost, in a given year, of equipment, furniture and fittings will exceed €20,000 or 20% of the operation (measure, sub-measure or project), whichever is the lower, the prior agreement of the ESF Paying Authority must be sought.

² This threshold may be subject to change over time, at the discretion of the Paying Authority.

- **Rent and Leasing of Buildings:**

- *The buildings must be related to ESF activities. If only a part of the building is used for ESF purposes then the amount charged to the ESF project application should be apportioned accordingly.*

- **Depreciation of buildings**

- Any asset, including a building, must have a determinable useful life. The length of a building's life varies according to its type and purpose but the organisation's accounting policies must set out the period of time and also the method used to calculate the amount of depreciation claimed. It is not possible to be prescriptive about the way in which depreciation is calculated as this is up to each individual organisation.
- In general terms, a building used for training purposes, typically a school or college, would be depreciated in the range of 2% to 5% of the Historical Cost, per year on a straight line basis, reflecting a uniform life of between 20 and 50 years.
- To calculate the amount of time that the building is used for ESF activity depends on whether the project costs are calculated on an actual project cost basis or on an organisation / college cost methodology. If the building is used for three months in the year for ESF purposes then 25% of the depreciation charge for the year would be allowed as an eligible charge in the ESF claim. If the organisation / college cost methodology is used, then the organisation's total eligible depreciation charge should be included in the "other costs" heading and costs attributed to the ESF claim should be on the basis of the hours of training delivered on the ESF project.
- A list of the premises to be depreciated must also be provided, showing the historical cost, proportion of building claimed, method of apportionment and the amount of depreciation claimed.

- **Hire and Lease of Equipment:**

- Where equipment is not used solely for ESF activities, a portion of the costs, relative to the amount used for ESF, is allowed. Evidence of the methodology of calculating the apportionment must be maintained.
- Actual costs of hire or lease of equipment, including VAT where applicable, as well as the period covered should be shown. Where VAT is redeemable, the recoverable amount must be deducted.

- **VAT**

- VAT is an eligible item of expenditure only if the organisation is unable to reclaim it. The treatment of VAT will vary depending on the status of the organisation. Consequently it is important for applicants to establish the VAT status with the local Inspector of Taxes office.

Where an organisation is VAT exempt, a letter to this effect should be obtained.

- ***Financial / Banking and Legal charges***

- Where part-financing requires the opening of a separate bank account for an ESF project(s), the opening and administering of this account forms part of the administrative costs relating to a project and are therefore eligible items of expenditure. Where an account is used for several different ESF measures, the share of the expenses shall be determined in accordance with generally recognised accounting standards.

- These eligible expenses do not include debit interest charges (other than expenditure on interest subsidies to reduce the cost of borrowing for businesses under an approved State aid scheme), charges for financial transactions, foreign exchange commissions and losses, and other purely financial expenses are not eligible for co-financing.

- The cost of legal fees for advice, notary fees and the accountancy services necessary for preparing and implementing a project can be allowed as eligible expenditure where they are directly linked to the project and are necessary for the proper preparation or implementation of the project.

Fines, financial penalties and expenses for legal procedures are not items of eligible expenditure. Similarly, in this context, consultancy fees are not eligible items of expenditure. This includes organisations, which provide support in completion of application and final claim forms and management fees.

- Where an annual financial audit of the project is required by the Paying Authority, these costs are considered eligible.

- **Aids and minor adaptation of premises and equipment, subject to the threshold as determined by the Paying Authority, where projects include people with disabilities. Examples of aids and minor adaptations are: ramps, toilets and computers.**

- **Costs of external training courses for beneficiaries**

- **Advertising of training courses**

- **Stationery and general office supplies**

- **Postage and Telecommunications**

- **Heating and Electricity**
- **Course materials**
- **Insurance**
- **General documentation and administration costs incurred in support of ESF activity**
- **Rates**
- **Examinations of effectiveness of training**
- **Cleaning**
- **Hire of motor vehicles**

Annex 1:

MATCH FUNDING AND CONTRIBUTIONS FROM THE PRIVATE SECTOR

Match funding is the amount of contribution towards the eligible costs of a project by bodies / organisations and individuals other than the ESF.

The minimum match funding required by projects in the funding period 2000 – 2006 is as follows:

Objective 1 25%

Objective 1 in transition 50%

The nature, category and quantity of match funding to be secured by bodies / organisations must be agreed at the application stage with the Managing Authority.

Because ESF proceeds to an annual closure of instalments, the minimum level of match funding required must be secured annually.

All match funding secured must be declared.

Where match funding is secured at rates other than at the minimum required, the following rules apply:

❑ **Less than the minimum amount required**

For organisations with Objective 1 status, the part-financing rate will be limited to three times the match funding secured;

For organisations with Objective 1 in transition, the part-financing rate will be limited to an amount equal to the match funding secured

❑ **More than the minimum amount required**

For both Objective 1 and Objective 1 in transition, the part-financing rate is limited to expenditure actually incurred.

Match funding is defined in two ways – *actual match funding and match funding in kind*.

Actual Match Funding

Actual match funding is sub-divided into:

❑ ***Cash advanced to the project***

- ❑ Direct donation of paid staff (this refers to the secondment to the project or performance of certain work tasks on behalf of the project by a paid member of staff). When match funding takes the form of a donation of paid staff, the applicant should hold an authenticated statement from the organisation providing the staff, which shows the cost. This statement should detail the amount of time the person has spent on the project, their salary details and the apportioned cost of that member of staff to the

project. Time sheets should be prepared to support the amount of time staff have spent on the project.

Match Funding In Kind

This is defined as non-cash match funding, representing goods or services that the match funder has agreed to supply for the project in the relevant calendar year.

The match funder must provide written evidence of the agreement and the details of funding to the applicant organisation. It must be able to be substantiated by auditable records.

All match funding in kind contributions must be eligible items of expenditure for ESF purposes. However, depreciation of equipment, furniture and fittings and buildings cannot be included as match funding from a third party.

Unpaid voluntary work is eligible as a source of match funding for ESF purposes. In addition to the normal rules for match funding, the following conditions apply:

- ❑ All volunteer time contributions should be costed using standard accepted rates for the type of work involved. The rates should be agreed at the application stage and any subsequent revisions must be agreed with the Paying Authority.
- ❑ It must be clear from the outset that volunteers are helping the project in their own private time and they are not already employed on the project. Any paid employee of the project who performs additional voluntary duties will not be eligible.
This should not be confused with the secondment of paid staff to project by another organisation, which is eligible under match funding.
- ❑ For the purposes of audit, applicants will need to demonstrate that they can substantiate final claim entries for unpaid volunteer time and also notional values placed on the activity. Complete, accurate and up to date records should be held by project management showing the nature of the activities undertaken by volunteers with dates and authentic time sheets, together with a detailed invoice summarising this information for each ESF project. It should be possible to reconcile the information held on the notional invoice with final claim entries. If this is not done, the relevant final claim entry will be classed as ineligible.
- ❑ Applicants will need to show that the tasks performed by volunteers are appropriate to the job title – i.e. where volunteer time is claimed for a project administrator, records will need to be kept to show the duties performed and the time spent on those duties to ensure that the appropriate rates have been applied.
- ❑ Should the volunteer change role at any time, a value commensurate with the activity, not the original appointment, should be used.

- It is important to note that the value of volunteer time is based on the notional value of the tasks performed by the volunteer for the project not the current “earnings” of an individual in their usual paid employment. For example, a volunteer who has paid employment in a managerial role but who volunteers his or her time helping a project with general administration tasks should have the time valued as an administrator not a manager.