

**CHAPTER 3  
ERDF GRANT OFFER LETTERS  
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## INTRODUCTION

**1 N.B This information is provided by ODPM and is given for illustrative purposes only; GOs must only use the versions attached to the ERDF Finance Guidance note on the Grant Offer letter issued by ODPM.**

2 The offer letter for projects approved under a single measure is in [Appendix A](#) and must be used for all grant offers. The offer letter for projects approved under several measures are in [Appendix B](#). The offer letter comprises a 3-page covering letter, one page acceptance and 8 annexes.

3. The ERDF grant is a gift with conditions that the applicant must meet. Almost all the conditions are standard but those that are project specific in Annexes 1 and 2 must be individually inserted. Also GOs will need to insert information in the paragraphs in the covering letter shown in Italics.

**4. If GOs believe it is necessary to change any wording not in italics or wish to insert any additional clauses, they must first discuss with ODPM. ODPM must agree to any changes to the offer letter.**

5. GOs should already have copies of all the EC regulations referred to in the letter.

The rest of this guidance refers to specific paragraphs in the offer letter.

## THE COVERING LETTER

Address - the letter should be addressed to the most senior person in the organisation with overall responsibility for the project. This could be the person who signed the project application. For LAs, the letter must go to the Treasurer or Chief Finance Officer; for Non-LAs, a Director or Senior Manager.

GOs should create a list of authorised signatories for all types of organisation to ensure letters are accepted either by the appropriate senior person or someone with the delegated authority to do so on their behalf. This procedure should also be adopted for grant claims. Note that while a Treasurer or Chief Finance Officer may if they wish delegate acceptance of the grant offer letter, they must personally sign the grant claims.

Programme name - full name and dates of programme that the funding is coming from

Measure name - ideally projects should relate to only one measure of the Single Programme Document. If the project relates to more than one measure, the offer letter at Appendix B should be used.

Project Applicant – full name of organisation to receive the offer – see application form, section 2. Must be the main body, not delegated or sub-contracted body

Project Reference number – this is a number created by the GO that the applicant and GO can refer to later.

Project Name – must be taken from application form, section 6

Paragraph 2 - insert name of GO issuing the offer letter

Paragraph 3 - insert date application form was completed

### **ERDF Grant Payable section**

If project has both capital and revenue elements, show expenditure, % grant rate and maximum amount of grant for each. The overall grant rate and amount must fall within the limits stated in Regulation 1260/1999. **It is not compulsory to have a different grant rate for the capital and revenue elements of a project.** Indeed it is much simpler for all concerned to have one rate. Ensure the figures for the table agree with the appraisal papers. For multi-measure projects, complete a separate table for each measure.

Paragraph 5 - the date from which expenditure can start is the date the applicant accepted the offer letter unless the project has qualified for retrospective approval. Retrospection has been agreed by the EC but only under specific circumstances during the first bidding round for projects - there is a separate guidance note under the ERDF programme management series.

Paragraph 6 – insert dates for start, physical completion, financial completion and receipt of final claim form and copy of the audit form.

The start date is the date from which expenditure can start and is the date the applicant accepted the offer letter unless the project has qualified for retrospective approval.

The practical completion date is when the project has achieved its targets; it is the same as the “ end date for delivery” shown in section 7 of the application form.

The financial completion date is the date by which all expenditure eligible for grant including any retention expenditure must be paid. Note that the financial completion date may be different from the practical completion date which is the date by which the outputs identified in the offer letter or agreed revised outputs have been achieved. Allow one month after the financial completion date for submission of the final claim and a copy of the audit form to the GO.

## **Pre-conditions**

Pre-conditions are optional. They are used when final confirmation of grant cannot be given for specific reasons e.g. because all the evidence that the project has sufficient funds available is not available or if confirmation of the other sources of funding depends on the offer of ERDF grant. Pre-conditions should not be inserted, however, if there is likely to be a significant delay in the applicant fulfilling them, as the grant is legally committed once the applicant has accepted the offer letter. **GOs must not use pre - conditions as a substitute for full appraisal of the project.**

Pre-conditions should be *either* a pre-acceptance clause requiring certain conditions to be met before acceptance of the offer letter, so as to ensure that difficulties are not created when claims are received *or* a pre-payment clause requiring the conditions to be met before the first grant claim is submitted.

If pre-conditions are used, the following paragraphs must be used (and subsequent paragraph numbers in the offer letter changed accordingly):

"This offer of grant is made on condition that:

- i)
- ii)

### **And/or**

No grant will be paid until you have complied with the following conditions:

- i)
- ii)

The pre – conditions listed above must be met by (*insert date*)."

## **European Commission Requirements**

This lists the relevant EC regulations which have the force of law as far as the EC is concerned. They apply directly in the UK or in the case of the public procurement directives by implementing UK legislation.

## **Changes to the project**

If the circumstances described arise, the applicant has to provide information in writing to the GO in advance. A significant change is normally a change of around 10% or more over the lifetime of the project to the project's individual categories of expenditure, expenditure profile and quantifiable targets. The 10% is a guideline and can be applied to most projects. However in the case of more expensive projects - which are those receiving grant of up to £250,000

- a lower % definition is appropriate. Material change is defined in a footnote to Annex 7; in the case of deciding what constitutes material change for a large project, GOs should decide each case separately. All significant changes must be approved by issue of an amended offer letter. Note that if any new categories of eligible expenditure are approved, the offer letter must be amended.

## **Audit and monitoring section**

### Paragraph 11

On the assumption that the final reports and closure certificates for the 2000/06 programmes are submitted by the end of June 2012, all documents must be kept *at least* until 31 December 2012.

Paragraph 12 - If the project does not require an annual audit, delete and re-number the paragraphs.

Paragraph 13 - insert date for receipt of the audited final statement of grant expenditure from the auditor.

### Paragraphs 17-19 - Withholding and repayment of grant

This section summarises the reasons why grant may be withheld or reclaimed. A full statement is in Annex 7. Decisions on withholding and repayment of grant are made by GOs on behalf of the Secretary of State. In making these decisions GOs must act reasonably but responsibly and the applicant must comply with the GO's decision.

### Paragraph 20 – Organisations making payments for the project

The GO must complete this paragraph. The list must cover all the organisations, which will be making payments and will normally include the applicant's organisation. The organisations on the list are the final beneficiaries as far as the EC is concerned - see Regulation 1685/2000, para 1.3 in the Annex. When GOs visit projects, they will need to obtain evidence that the payments made by all the final beneficiaries have been made.

Paragraph 21 - changes to the project must be approved in a revised offer letter. This will normally be a short letter amending the original.

Paragraph 22 - insert date by which offer should be accepted (signed and received by GO). The acceptance deadline should not be longer than 3 months after the date the offer letter was issued or after the date the first claim is expected.

Paragraph 23 - note that the start dates for the project and the date from which expenditure can start is the date the applicant accepted the offer letter.

Paragraph 24 - provide the name of a helpful contact in the office in case there are problems with the offer or the applicant has queries.

The official signing the letter should have ODPM delegated powers.

## **Acceptance**

The information against the headings should be identical to the front page of the offer letter.

The person accepting the letter must have the relevant authority to do so on behalf of the applicant organisation.

### Table of required actions

This is for the GO to complete, detailing what they wish the applicant to do and by when e.g. accept the offer letter, complete ASP 7B, submit procurement questionnaire etc.

## **ANNEX 1 TO APPENDICES A & B**

### Project costs

Insert all approved cost details split by capital and revenue and by year. Ensure that each cost category is broken down into clear and specific elements and that each category has a breakdown where appropriate. See examples in the capital and revenue tables. If it is a multi measure project, each measure should have a separate project costs table. Information to go into this table should come from section 21 of the completed application taking into account any amendments agreed before approval.

### Eligible Expenditure broken down by source of funds

Insert the breakdown of the project's total expenditure profile taken from section 25 of the application taking into account any amendments agreed before approval. Expenditure should be split by year. If it is a multi measure project each measure should have a separate expenditure/sources of funds profile. The grand total of the expenditure profile must equal the grand total of the project costs breakdown table.

### Quantified and Key Non Quantifiable Targets

Refer to section 10 of the application form and the appraisal notes in order to summarise the project's purpose. This helps define the project. It is important that it is agreed in advance with the applicant.

Insert the agreed targets (description and amount) taken from section 20 of the application form taking into account any amendments agreed before approval. Also record in the table any key non-quantifiable targets and the dates for achievement. It is important to record in which quarter the targets are *realistically* expected to be met. The entries here will form the basis for your monitoring of the progress the project makes. It is not necessary to have an entry for every target in every quarter. For most projects many quarters will be blank.

## **ANNEX 2 TO APPENDICES A & B**

### Eligible expenditure section

This contains detailed guidance to applicants on the definition of paid expenditure. It will also appear in guidance accompanying the ERDF grant claim form for the 2000/06 programmes. The guidance is equally important to GO monitoring staff and will appear in revised guidance for GO staff who are carrying out monitoring of ERDF projects.

### How to claim grant section

Insert claim number, period of expenditure and submission date for each claim required. The periods of expenditure will be every 3 months from the project start date. Allow a maximum of one month after the end of each expenditure period for the submission of interim claims. For the final claim allow one month after the financial completion date. The final claim date is also the date for submission of the audit form to the auditor - the GO must receive a copy. Chase up letters must be issued to the applicant if any submission dates are missed without prior approval from the GO.

## **ANNEX 5 TO APPENDICES A & B**

If applicants do not have paper records to support their expenditure, they must satisfy GOs that the records they do have are true. UK law requires paper records to be kept for accountancy purposes for 7 years after which the records can be stored on microfiche. Applicants can therefore be expected to keep paper records for 7 years. If they have not done so, GOs must ask applicants why and consider each reply on its merits. If applicants wish microfiche records to be considered as true records, they must provide independent verification that the records are true and have been stored in a secure place.

