



## **MATCH FUNDING: USING EMPLOYER CONTRIBUTIONS FOR ESF PROJECTS**

### **BACKGROUND**

The purpose of this note is to explain how to account for employer contributions in an ESF funded project.

Employer contributions are defined as the financial contribution made by the employer towards support put in place by the ESF project. For example; financial contributions towards the undertaking of training for the employer's workforce, employment costs associated with undertaking work placements/experience, internships, etc.

### **GUIDING PRINCIPLES**

Contributions from employers can be included in the funding package, provided these will contribute towards the total eligible costs of the project.

Where employer contributions form part of the funding package it is accepted that written evidence/letters of intent will not be in place at the time the project is approved, but the Full Application will need to demonstrate that the level of demand for the service stacks up in terms of expected employer contributions.

In addition, the employer contributions must be accounted for within the project's proposed State Aid approach and must be compliant with State Aid.

Each project will be considered and appraised on its own merits. However a project should be able to use employer contributions as match funding and remain compliant with ESF rules if grant applicants and employers maintain a detailed adequate audit trail; meet all ESF regulations (e.g. state aid, procurement, document retention). As with any ESF project, consideration should also be given to cashflowing a project using this model.

Illustrative examples are given below to demonstrate when employer contributions can and cannot be included in an ESF project.

### **PLEASE NOTE:**

The guiding principles above and the subsequent examples below have been checked and verified for eligibility and accuracy by the ESF Managing Authority; DWP. We expect to see further communication by DWP of these clarifications at a national level via the ESIF Bulletins in the near future.

The ESF Managing Authority has also stated that each ESF application will be assessed on its own merits and must be ESF compliant. It is important that successful ESF Applicants using this model collate clear and compliant evidence to demonstrate this match which will be scrutinised through ESF verification checks and audits.

If you would like to explore this further, please get in touch with your local ESF Technical Assistance representative – contact details are on the North East LEP website.



## Example 1

A project is established by an ESF Applicant to provide a subsidy towards training to support businesses to develop the skills of their workforce.

The ESF Project Applicant considers the employer's request for support. With the permission and support from the ESF Project Applicant, the employer sources and compliantly procures a training provider to help improve the skills of their existing workforce.

The employer procures services from a third party contractor.

The procured third party training provider delivers the training service to the employer's workforce. The training provider invoices the employer for the full amount and the employer pays the full invoice.

The employer then makes a claim to the ESF Project Applicant with all the supporting evidence which as a minimum is:

- A certified copy of the original invoice from the training provider to the employer for the full cost of the service and a statement to say that the original is available on request.
- A copy of the employer's bank statement identifying the payment made by the employer to the training provider
- Procurement evidence

The ESF Project Applicant then pays the agreed percentage of the full invoice to the employer. The total eligible expenditure does not pass through the ESF Project Applicant's bank account. However, the evidence provided by the employer and the audit trail allows for the full cost of the invoice to be included in the claim as a two line entry and the employer contribution can therefore be counted as match funding.

Both the employer contribution and the reimbursed amount to the employer would need to be recorded on the transaction list in 2 parts showing:

- The employer contribution (showing the amount being paid by the employer and the apportionment of employer contribution being claimed by the project);
- The agreed subsidy being paid to the employer by the ESF Project Applicant.
- This is to ensure that the ESF Project Applicant has received the appropriate documentation from the employer and also that they have reimbursed the employer

The ESF project Applicant submits an ESF claim to DWP, as the Managing Authority for ESF

DWP processes and authorises the claim and pays this over to the ESF Project Applicant



## Example 2

A project is established by an ESF Applicant to provide a range of subsidised training to support businesses to develop the skills of their workforce.

The project applicant either delivers this service directly or procures services from a third party contractor.

The training service is delivered to the employer's workforce. If this is delivered by a third party, they would invoice the ESF Project Applicant for the full cost of the work and the ESF Project Applicant pays them directly.

The ESF Project Applicant invoices the employer for the net value (i.e. the total cost less the subsidy agreed) and this is paid for by the employer to the ESF Project Applicant

The ESF Project Applicant submits an ESF claim to DWP, the Managing Authority for ESF

DWP processes and authorises the claim and pays this over to the ESF Project Applicant