



Llywodraeth Cymru
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Best Practice Guide

Preparing for Project Closure

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Preparing for Project Closure: Best Practice Guide

1. Introduction

This guide gives an indication of the areas to consider at project closure and best practice to bear in mind when closing your project.

Closure must be undertaken in collaboration with your WEFO Project Development Officer (PDO) who will advise you on the core closure requirements for your project. Further sources of information and guidance are available on the WEFO website and support can also be sought from WEFO Payments and RETs Officers.

2. Project Lifecycle – Closure

Project closure is a key step in the life cycle of a project and should be considered and planned for carefully.

It is very important that the process of closure starts in good time. Project managers and other partners will have been managing the project risks during its lifetime. A key risk at the latter end of the project is the failure to ensure correct use and implementation of the project exit strategy. This could lead to an unnecessarily lengthy closure process e.g. because of inadequate information being provided from across the project's joint sponsors or deliverers / contractors, failure to cease delivery in a timely fashion, inability to submit the final financial claim to required timescales or rushing to complete the final evaluation etc.

All delivery activity should have finished prior to the project end date and should have been planned for in the exit strategy as well as collection of the data (financial and indicator) for the final claim. The ending of staff contracts or departure of staff across the project will have commenced in the run up to the project's end date and therefore it is essential that key staff are retained to cover the closure of the project and any limited post end date closure activity as is required e.g. staff need to be available to input the final claim if that will occur after the immediate end date of the project.

Another important factor to consider when approaching the closure of a project is that all projects financed through EU Structural Funds may be selected for a future EC audit visit or a visit from Welsh Government's European Funding Audit Team. Your project will have already undergone numerous MVT reviews so you should have some experience of the process involved so need to bear this in mind when closing the project..

3. Compliance with Conditions of Grant

Standard Conditions

You will have been ensuring compliance with the conditions of grant set out in the Offer of Grant Letter (and any subsequent Variation of Grant letters which amend the offer of grant) throughout the life of the project as this is the contractual agreement between the Lead Sponsor and WEFO. As you approach the end date and closure you should double check that all pertinent evidence and actions have been identified, put in place or are being carried out to ensure this. Failure to comply with the full range of conditions in the Offer of Grant letter – the “Agreement” - can result in retention of a percentage of grant at closure or even the claw back of grant from the lead sponsor.

You will also have ensured that all the expenditure and activity is eligible. It is advisable to double check the Welsh National Eligibility Rules and other project monitoring and financial guidance published on the WEFO website at the end of the project to identify any possible anomalies. If something is identified you should speak to your PDO as this may impact on your final claim and indicator results reporting.

Special Conditions

All projects need to ensure that any special conditions of grant included in the Offer of Grant Letter have been complied with, signed off by WEFO, and that the relevant evidence is retained as part of the project records.

4. Technical Aspects of Closure

Project archive

You should consider creating a project archive for your project. The project archive should include the location of key records and documents relating to your project activity and if records are kept on different media and in other locations the archive should indicate the access to these and where these records are located for future inspection. The project archive should include your Business Plan and the evidence presented to WEFO to support your business plan, Offer of Grant letter and any variations along with any letters of decision from WEFO particularly around decisions arising from eligibility queries.

It should include completions certificates i.e. final building certificates, BREEAM Assessments; beneficiary records, procurement records, financial records, timesheets etc.

The archive should include an assets register/inventory detailing the assets purchased and the location for future audits and monitoring visits, a copy will be required as part of the closure process. Project managers should check that the project asset register is up-to-date and, at a minimum, includes all items with an initial cost/ value above £5,000. The inventory/ register must include all project assets, even if located within/ acquired by a partner organisation.

“Organisations who operate a policy of recording lower value items in their asset registers should follow their own threshold.”

Inventory of Assets

The Project Sponsor is responsible for establishing and maintaining an inventory of all Assets with a value greater than £5000, whether owned by the Project Sponsor or a third party.

The inventory should show the:

- date of purchase of the Asset;
- description of Asset;
- price paid net recoverable VAT;
- amount of Grant paid;
- location of the title deeds;
- serial or identification numbers;
- location of the Asset;
- date of disposal; and
- sale proceeds net of VAT.

Document management and retention

Project sponsors are responsible for maintaining adequate records (IT, paper, other recording media) to fully document all project records, including financial and accounting records and for making them available, as required, to WEFO and to auditors. Failure to provide supporting documentation relating to Structural Funds activity will result in a clawback of grant funding. This means retention until **at least until 2027, but the project sponsor must retain all documents until WEFO advises otherwise.**

Records Management policy and the WEFO guidance.

Your project must have a document management policy. The policy should include storage instructions, retention dates and provide details of any protocols for management of sensitive data. It should also provide details of the location of documents especially in circumstances where the project lead sponsor is working with joint sponsors and/or where a project has procured services and the records are not being kept by the lead sponsor. Where records are kept electronically, they should be available in a form that can be fully retrievable for the retention period set out in guidance. This should form part of the project archive.

It is important to remember that the Lead Sponsor is responsible for the retention of all of the records for a project, so the policy should also detail the systems in place for the retrieval of those records/documents from a third-party contractor in circumstances where they are unable to keep the records/documents. Where the lead sponsor cannot obtain a guarantee of this from other parties the project sponsor must retrieve all records for retention and audit purposes. This remains the case post project closure until the end of the retention period for 2014-2020 Programmes or until notified by WEFO.

Project management records

A final review should be undertaken on your project management records and

they should form part of your project archive. As well as including the

evidence to show how the project was managed (minutes of meetings, project governance) the archive should include the financial records such as original invoices and electronic financial records to evidence your activity and expenditure.

The archive should also include evidence of project monitoring such as:

- Full audit trails of actual costs
- match funding
- in kind match
- staff recruitment and job descriptions;
- other appointments;
- timesheets and evidence of pay rates used (either a copy of the WEFO rates or if other agreed pay rates are used these should be supported by the agreement from WEFO for using them and the employers BACS payment and a bank statement to support this transaction).
- A copy of any apportionment methodologies for overhead rates and the agreement by WEFO of these rates should also be retained.

State Aid

Project sponsors also need to consider any additional requirements (including extended retention periods) that may be required relating to projects involving an element of State Aid – not only will you be required to keep records for the retention period of the programme, but as the state aid record retention period is normally **10 years** from the date on which the last individual aid was granted, this period could extend **beyond** the period generally applicable to projects (three years following the formal closure of the Operational Programme) and therefore records relating to aid must still be retained until the State Aid record retention period has elapsed.

Procurement

You should ensure that all your contracts have been completed, have been added to the relevant page on the WEFO Online Service and indicate they are now closed. Project sponsors should ensure that all records relating to procurement are available for the retention period set out by WEFO and where records are kept by a third party (contracted service) the Lead Sponsor should satisfy themselves that those records will be available for the scrutiny by audit for the same period. This should include records relating to the activity and monitoring.

Publicity/ marketing

You will need to ensure compliance with EU publicity requirements (Information and Publicity Guidelines 2007-2013) by retaining evidence of the publicity measures undertaken for your project. For both ESF and ERDF projects you will be required to provide evidence of compliance by placing a

plaque in the reception of the building or in a prominent location relative to the project activity.

For capital /infrastructure projects, such as the construction of a road, a building or physical regeneration, photographic evidence is required in your project archive of any signage /billboards erected during works.

Evidence should also be included in your archive of other project publicity, which should also feature the ESF/ERDF logo e.g. Press releases, website /digital content and copies of marketing publications (leaflets, newsletters, promotional materials, stakeholder's reports to any non-WEFO audience etc).

There might be instances where your project could be used as a good or best practice example for visits by Welsh Ministers, the EC or other Member States. If your project is selected WEFO will inform your organisation to enable preparation for these visits.

Your project will likely be holding events to celebrate project achievements, to disseminate reports, advertise the websites, etc during the final months so it will be helpful for you to contact WEFO's Communications Unit to advise them of any key or large scale events.

5. Financial closure

Final Claim

WEFO will retain 10% of the Structural Funds Grant (unless specified otherwise in the Delivery Profile) until the Project has been completed to WEFO's satisfaction and a satisfactory final claim form is submitted to WEFO. Where a project underspends, grant will be reduced accordingly, and retention will apply to 10% of the re-calculated grant due.

When completing the final claim, if necessary, the 'total forecast' column of the claim should be adjusted to ensure it corresponds with all final declared Expenditure, Income, and Indicator figures.

Any underachievement of project indicators must be addressed with relevant explanations provided and agreed with your PDO.

A final claim form should be submitted within three weeks of the end of the final claim period.

Only expenditure which has already been incurred and defrayed (paid) can be claimed. “Paid” is defined as when a cheque has been cashed or a payment transaction has been cleared from the organisations bank account.

Expenditure incurred after the approved completion date is not eligible.

Please note that all expenditure must be incurred and defrayed before the end of the programme period (i.e. 31 December 2023).

The following rules apply to the payment calculation of final claims:

- All final claims will be paid on a “need” basis which means that the total grant payable will be reduced if there is any change in the overall funding package which reduces the need for grant.
- Total grant payable will be *reduced* to reflect any under spend in relation to the Project.
- In the event of a shortfall in income, the Project Sponsor will need to provide additional funding from its own resources.
- All income details must be provided / confirmed before final grant claims will be paid.
- The maximum amount of grant payable will be the total amount of Capital and / or Revenue grant agreed in the latest Delivery Profile, regardless of any increase in the total Eligible Costs (Capital and / or Revenue).

Final payment claim progress report

The final payment claim progress report accompanying the final claim should provide the details of the project progress and achievements to date for the final quarter of the project. Sponsors should ensure that they respond and address all the outstanding actions raised by WEFO in this final progress report.

6. Project Monitoring and Evaluation

Project Monitoring and Evaluation Project Indicators

Project sponsors must also ensure when reporting their final results against the chosen indicators selected for their project that these are accurate, are supported by the appropriate evidence, and that they have met have been and continue to meet the relevant Indicator Definitions. Timing of the ending of project activity is therefore important to ensure that all relevant results can be captured and provided in time for the submission of the final claim and final payment claim Progress Report.

Evaluation

Projects should have outlined and agreed the evaluation proposals with WEFO during the project lifetime; this will usually be in the form of a monitoring and evaluation plan. In the majority of cases final evaluation is required and the project's retention amount of grant will not be released until this document has been received and signed off by WEFO. Projects should make sure to plan accordingly to make sure that any delay of the retention amount will be minimal. The retention will be released upon authorisation of the final claim, on the condition that all WEFO parties are content and that all aspects of project delivery and achievement are satisfactory.

Sponsors therefore need to carefully consider the delivery date of their Final Evaluation as documents being delivered after the project end date will mean the project does not close in WEFO terms – see above. It is important to allow enough time at the end of the operation to complete an evaluation and include the final set of indicator figures.

Final Project Report

As part of closure, you need to submit a brief final project report which should not duplicate the content of the Final Evaluation report. This should not exceed 2 pages using the attached template for submission to WEFO as part of the closure process. It should provide a brief outline of how the project delivered against its aims and objectives - including wider benefits and an explanation of any change in focus, an explanation of any variance against the targets, any lessons learnt, other outcomes such best practice models and any additional outputs/results that cannot be captured by the Final Evaluation e.g. did your project implement any transnational activity?

7. Post Closure Activity and Monitoring

There are likely to be elements of activity that will need to take place after the project end date but WEFO will work with you to keep these to a minimum as there will be a cost e.g. staff salaries which will need to be borne by the lead sponsor and / or others who have been engaged in the project's delivery.

At project end WEFO will inform you of any post closure monitoring requirements for your project and the process for submission. This will normally take place as part of the Closure Review meeting but will likely also have been discussed in the 12 months approaching the project's end date. You will need to ensure that the organisation has resources in place with the appropriate knowledge to provide assistance for any post closure activity and will need to arrange the appropriate access to the WEFO Online Service to submit this information.

That is to say, you need to provide WEFO, via your PDO, with details of the contacts who will be available to process the final claim and address any queries or WEFO requirements that must be actioned by the sponsor to ensure project closure. The Authorising Officer must remain in place and all changes to project contracts whether registered in WEFO online or otherwise must be notified to WEFO so that we may correct our systems.

Some of the areas WEFO will monitor as part of closure:

Revenue-generating projects

Definition of a 'Revenue Generating Project' (RGP)

These are ERDF operations where ALL of the following criteria are met:

- You expect to generate net revenues beyond the completion date of your operation (during the exploitation phase).
- The operation is not subject to State Aid rules.
- Total forecast eligible costs exceed € 1 million at the time of funding approval decision.
- All or part of the EU support is provided as a non-repayable grant. Fully repayable assistance is exempt from the RGP rules.

Put another way, the operation is not a RGP if it is subject to State aid rules; or not expected to generate net revenues beyond completion; or has total eligible costs below €1m.

The operation will also be exempt from the classification as a RGP if you intend to be reimbursed on the basis of unit costs or lump sums – rather than real costs – if anticipated revenue has been fully taken into account when the value of the agreed unit costs/ lump sums.

State Aid

Operations that are subject to State aid rules are not classified as RGP. To clarify, this means public support which constitutes:

- De minimis state aid.
- Compatible state aid to SMEs, where the aid intensity or an aid amount limit is applied in relation to the state aid.
- Compatible state aid, where an individual verification of financing needs in accordance with the applicable state aid rules has been carried out.

What is meant by Revenues?

Net revenue is defined in the regulations as;

Cash in-flows directly paid by users for the goods and services provided by the project, such as:

- charges borne directly by users for the use of infrastructure;
- receipts from the sale or rent of land or buildings;
- payments for services;
- Operating cost savings (unless they are offset by an equal reduction in operating subsidies;

less any operating costs and replacement costs of short-life equipment incurred during the corresponding period. In summary this means **any** charges levied by the applicant (or delivery partner(s)) and payments made by users (project beneficiaries) of the services/goods/buildings/equipment etc. Any payments made directly to the applicant must be considered or taken into account at the time an application is made and monitored to ensure grant paid does not exceed the gap between the investment costs and the net revenues generated.

How the revenues are treated depends on the nature of the project and when the revenues are generated. Both capital and revenue projects can generate revenues.

Where a facility already generates revenues, only the additional revenues generated as a result of delivering the project are considered.

Projects Generating Revenues after Completion – Article 61

Article 61 of Regulation EU 1303/2013 (the Common Provisions Regulation), sets out the requirements for projects which generate net revenue during and after their completion. Wherever possible the eligible expenditure of the operation should be reduced in advance considering the potential of the operation to generate net revenue over a specific period covering both implementation and the period after its completion. This is known as the reference period.

Article 61(3) sets out two alternative methods for calculating the potential net revenue, either using a flat rate (usually applicable to large infrastructure projects) or a calculation of the discounted net revenue considering the reference period.

Article 61(6) states that where it is not possible (this must be justified and can only be accepted where for example a market rate cannot be determined) to determine the revenue in advance, the net revenue generated within three years of the completion of a project or the deadline for submission of OP closure documents, whichever is earlier, shall be deducted from the expenditure declared to the Commission. Circumstances under which this option is used will be limited as in most cases revenues can be estimated.

It may prove difficult to forecast revenues objectively when the project activity is innovative or involved in an emerging or new market where market rates have not been established. It is therefore envisaged that this method will be used in limited, justified, and exceptional circumstances.

Operations excluded from Article 61:

- ESF operations;
- technical assistance;
- repayable assistance subject to full repayment;
- Financial Instruments;
- where operation activities are 100% de minimis aid or compatible State Aid;
- Operations with total eligible expenditure not exceeding €1,000,000 *(using the exchange rate at the time the funding agreement is issued)*.

Post Closure Audits, Monitoring and other Visits

Your project may be subject to audit and monitoring visits at any time up to the retention period of the programme. WEFO will inform your organisation in good time to allow preparation and expect to find all of the evidence relating to the project activity and management.

Project Name

Sponsor

Programme and Priority

Please provide a brief outline of how the project delivered against its aims and objectives - including wider benefits and an explanation of any change in focus,

Please provide an explanation of any variance against the targets

Please provide details of any lessons learnt, other outcomes such best practice models and any additional outputs/results that cannot be captured by the projects official monitoring and evaluation.

Please provide details of any links transnational or otherwise that have not been captured as part of the project official evaluation.