

# Low Carbon Challenge Fund

Supporting innovation in SMEs to unlock to opportunities of the Climate  
Emergency

## Claims Process and Reporting Requirements

July 2020



**EUROPE & SCOTLAND**  
European Regional Development Fund  
Investing in a Smart, Sustainable and Inclusive Future

## Important Information

The 2014-2020 European Regional Development Fund (ERDF) Programme is structured around specific themes known as Strategic Interventions, administered by Lead Partners. On behalf of Scottish Government, Scottish Enterprise is the Lead Partner for the Innovation Challenge Funds Strategic Intervention and the mechanism for delivery is the Scottish Programme for Research, Innovation and Technology Eco-System (SPRITE). The overall aim of SPRITE is to improve the innovation performance of Scotland's Small and Medium-sized Enterprises (SMEs) and stimulate greater coordination between stakeholders and partner organisations to help businesses capitalise on new economic and public-sector innovation opportunities. Programme activities will focus on competitive Challenge Funds and procurement of Cluster-Building Services.

The Low Carbon Challenge Fund (LCCF) is one of the competitive Challenge Funds being delivered through SPRITE and ERDF funding will be distributed, on a competitive basis, to projects delivered in Scotland. The eligibility criteria, guidance and application process will be reviewed periodically and, therefore, may be subject to change. The Applicant should make sure that they refer to the most up to date guidance at the time of application. This guidance is available at [www.scottish-enterprise.com/LCCF](http://www.scottish-enterprise.com/LCCF).

The LCCF can contribute up to 50% of the costs of each project delivered in the Lowland & Upland Scotland area (LUPs).

The balance of funding required to deliver the project (usually referred to as match funding) must be found by Applicants from other sources, which must **NOT** include any other EU funding. Match funding must be in the form of a direct cash contribution and/or expenditure incurred e.g. actual costs for the procurement of capital equipment and/or direct staff costs. Match funding cannot be linked to the achievement of outputs for other projects and activities.

Funding decisions will be based on factors including, but not limited to, (i) the availability of ERDF funding, (ii) how well the project matches the LCCF priorities, (iii) the project's contribution to LCCF outcomes and (iv) our assessment of deliverability against the European Structural Investment Fund (ESIF) [National Rules on Eligibility of Expenditure](#) (referred to as National Rules) and LCCF timescales. Scottish Enterprise reserves the right not to award any support at all under this programme.

The rules governing the ERDF programme are set out within the [ESIF National Rules](#), [State Aid Guidance](#), [State Aid Rules](#) and [Publicity Requirements](#). The European Union (EU) and the Scottish Government reserve the right to amend these National Rules.

Please note that all links within this guidance document are considered accurate as at the date of publication but that we take no responsibility for the accuracy or compliance of third party links.

Please refer to the statement in the LCCF Guidance for Applicants regarding how the information (including personal data) provided by you in relation to the LCCF will be used.

## Version Control

<b>Date</b>	<b>Issue</b>	<b>Status</b>	<b>Author</b>	<b>Authorised By</b>
<b>13 Jan 2020</b>	1	Final	Mark Elliott Alan Christie Jane Gallagher	Alison Bennett
<b>8 June 2020</b>	2	Final	Mark Elliott Alan Christie Jane Gallagher Jacqui Cosgrove	Alison Bennett
<b>7 July 2020</b>	3	Final	Mark Elliott Alan Christie Jane Gallagher Jacqui Cosgrove	Alison Bennett

### **About this document**

This document provides an overview of the claims process and reporting requirements to be adhered to by Grant Recipients of the LCCF.

This document is one of four documents that form a suite of guidance available to Grant Recipients. The full suite can be downloaded from [www.scottish-enterprise.com/LCCF](http://www.scottish-enterprise.com/LCCF)

- **Guidance for Applicants**
- **Audit, publicity and compliance guidance**
- **Claims process and reporting requirements (this document)**
- **Monitoring Template guidance**

For further information visit [www.scottish-enterprise.com/LCCF](http://www.scottish-enterprise.com/LCCF) or contact the LCCF project team at [LCCF@scotent.co.uk](mailto:LCCF@scotent.co.uk).

# Contents

1.0	Introduction .....	5
2.0	Claim Process .....	5
2.1	General Principles .....	5
2.2	Timeframes .....	6
2.3	Claim Documentation .....	6
2.3.1	Claim Form and Monthly Expenditure Summaries .....	6
2.3.2	Supporting Evidence .....	7
2.4	Financial Year-End Process .....	7
3.0	Progress Reporting Requirements .....	8
3.1	Quarterly Progress Report .....	8
3.2	Outputs .....	8
3.3	Final Project Report .....	8
4.0	Change Process .....	9
4.1	Types of Change .....	9
4.1.1	Non-material Change .....	9
4.1.2	Material Change .....	9
4.2	Change Request form .....	10
5.0	Monitoring .....	10
	Annex 1: Claims Evidence Checklist .....	12
	Annex 2: Statement of Compliance with the condition of grant .....	14
	Annex 3: Quarterly Progress Report template .....	15
	Annex 4: Claim Form and Monthly Expenditure Summaries .....	21
	Annex 5: Change Request form .....	21
	Annex 5.1: Change Request Checklist .....	22

## 1 Introduction

This document provides an overview for Grant Recipients of the claims process and reporting requirements for the LCCF. It includes an explanation of how to complete the claim form, timeframes for claims, and checklists to help Grant Recipients ensure all claims are compliant. It also provides detail on reporting requirements and templates for these reports, as well as guidance on how to manage changes to projects.

## 2 Claims Process

Claims and progress reports are to be submitted electronically to the relevant Scottish Enterprise Project Manager on a quarterly basis. However, a monthly expenditure summary should be submitted within 20 working days of a month end, detailing relevant defrayed (incurred and paid) expenditure for the monthly period identified. This will enable a levelling out of the verification process and will leave only the last month of three to be verified as the final part of the quarterly claim. Compliance checks will be performed on all expenditure.

All material will also be subject to audit by the Scottish Government's Managing Authority and Audit Authority and the European Court of Auditors. The checklists included in this guidance are designed to ensure all claims are compliant and ready for audit. The completed checklists may form part of the evidence base for audits.

Grant Recipients must ensure from the outset that robust and suitable systems and processes are in place to maintain adequate audit trails and manage information efficiently and effectively. This information will need to be summarised and presented with the claim and made available for on the spot verifications and audits throughout project delivery and post completion, under the retention of document requirements. For more information refer to the *Audit, Publicity and Compliance* guidance.

### 2.1 General Principles

All preconditions stated in the Grant Agreement must be met prior to the first payment of ERDF grant funding.

Claims are to be submitted in arrears on a quarterly basis and only eligible expenditure defrayed (incurred and paid) by the end of that period can be included in the claim for reimbursement. Only upon verification of all expenditure will payment to a Grant Recipient be approved.

In an event where no expenditure has been defrayed during the relevant period Grant Recipients must still submit a quarterly progress report.

Grant Recipients must notify the relevant Scottish Enterprise Project Manager promptly if at any time they become aware that they are unable to make a claim in accordance with the outlined timescales or in accordance with the expenditure profile stated in the Grant Agreement.

The Grant Recipient must ensure that all supporting documentation is kept and made available, as set out in the *Audit, Publicity and Compliance* guidance.

The claim will only be processed once Scottish Enterprise is satisfied that all information is present and complete and complies with the terms and conditions of the Grant Agreement & the LCCF rules.

## 2.2 Timeframes

Claims are to be produced in arrears, reporting on a predefined period of actual activity referred to as the 'claim period'.

Projects that have met all Grant Agreement conditions have the potential to submit a first claim at the end of Quarter 1, up to March 2021, for all eligible project costs incurred and defrayed.

The claim periods for the LCCF are as follows:

<b>Claim period 1</b>	Up to 31 March 2021
<b>Claim period 2</b>	1 April 2021 – 30 June 2021
<b>Claim period 3</b>	1 July 2021 – 30 September 2021
<b>Claim period 4</b>	1 October 2021– 31 December 2021
<b>Claim period 5</b>	Quarterly submissions until end of project

Claims must be emailed to the relevant Scottish Enterprise Project Manager within 20 working days following the end of the claim period.

Grant payment will normally be met within 20 working days from receipt of a complete claim. A claim is only considered complete when the claim form has been correctly populated, signed and submitted and when Scottish Enterprise are satisfied that the associated evidence demonstrates the presence of a complete audit trail. Until this is provided, payments cannot be processed.

## 2.3 Claim Documentation

The following documentation must be submitted with each claim:

- Completed monthly expenditure summaries
- Completed quarterly claim form
- Appropriate supporting evidence
- Quarterly progress report
- Quarterly monitoring template form
- Signed statement of compliance

The claim form must be submitted in the first instance as an excel document and, following verification and approval by Scottish Enterprise, as a PDF that has been signed by the Grant Recipient.

Supporting evidence documents should be clearly titled to match the descriptions provided in the monthly expenditure summaries and the claim form.

### 2.3.1 Claim Form and Monthly Expenditure Summaries

The claim form and monthly expenditure summaries template will be provided in advance of the first claim submission. An example template will be made available to Grant Recipients.

The claim form and monthly expenditure summaries are contained within one excel document, which includes six excel sheets:

- A guidance sheet with instructions to fill in the form correctly (sheet 1)
- Three monthly expenditure sheets (sheets 2-4)
- The quarterly claim form (sheet 5)

- An index of associated evidence to be filled out by the Grant Recipient, listing all the documents attached to the claim and their correlation (sheet 6)

The layout of this form must not be amended or changed in any way except for inserting additional lines/rows within the table. When new lines are inserted into the table please ensure that the formulas calculating the sub total and total values are updated and correct.

Any item for which funding is being claimed requires the description to be detailed enough to allow the verifier to consider its validity. In addition, items of expenditure repeated from claim to claim will also require complete descriptions each time they are claimed. Grant Recipients cannot rely on descriptions used in earlier claims to inform later claims. It will often be appropriate to include names, dates, reasons/purpose of expenditure.

Please note that:

- All expenditure claimed must fall within the scope of the project activities and expenditure profile stated in the Grant Agreement
- All expenditure must conform to the eligibility criteria as set out in the National Rules and must not have been incurred before the Date of the Grant Award
- All expenditure declared within the claim must be defrayed (incurred and paid) by the end date of the claim period

### **2.3.2 Supporting Evidence**

Supporting evidence is required for each item of expenditure claimed. Details of appropriate supporting evidence are provided in Annex 1.

The principle is that for each claim item a complete audit trail must be evidenced.

Grant Recipients will be required to assign a unique reference number to each claim item, as described in the claim form guidance sheet. Grant recipients will be required to label and annotate the supporting evidence documents with the relevant reference number to identify which document refers to which claim item. It is essential that all amounts stated in the claim form are easily identifiable in the associated supporting evidence.

If the amount that is being claimed is based on a calculation, this calculation needs to be explained.

All supporting evidence will have to be listed in the index of associated evidence sheet in the claim form and the correlations between documents must be described.

## **2.4 Financial year-end process**

To allow Scottish Enterprise to accurately accrue expenditure at the end of the financial year Grant Recipients will need to provide an estimate of the expenditure that has still to be claimed for any outstanding period to 31 March of that year. Grant Recipients will be allowed ten working days from the 31 March to submit the relevant accrual calculations.

## **3 Progress Reporting Requirements**

### **3.1 Quarterly Progress Report**

A narrative report providing a clear description of the project's progress, both physically and financially, and how it is performing in terms of its stated purpose is required with every quarterly claim. A template for the quarterly progress report is contained in Annex 3.

The quarterly progress report for each claim should provide details of the progress achieved during the claim instalment period.

The report should provide focus on specific areas of compliance contained within the Grant Agreement covering at least the following topic areas:

- Physical progress over the claim period
- Financial performance over the claim period and cumulative
- Planned activity for the next claim period
- Match funding
- Progress towards the achievement of outputs and outcomes
- Progress towards horizontal themes
- Emerging risks and mitigation strategies
- Publicity and communications activities
- Contracted milestones
- Procurement
- State Aid

It is expected that Grant Recipients will have in place a risk management strategy and maintain a risk register throughout the life of the project.

### **3.2 Outputs and Outcomes**

Within the Quarterly Progress Report, Grant Recipients should clearly summarise what the project has achieved as a result of the activities undertaken in the relevant reporting period. When expenditure claims are submitted, evidence documentation to support outputs and outcomes should be submitted with the relevant Quarterly Progress and Monitoring reports. More information on outputs and outcomes is available in the Guidance for Applicants and the Monitoring Template Guidance.

### **3.3 Final Project Report**

When the project is complete (project end date) and the final claim is submitted to Scottish Enterprise, the quarterly progress report must be supplemented with a final report summarising the overall performance, expenditure, outputs and outcomes of the project.

Separately, the Grant Recipient will be required to monitor the Project to evidence outputs and outcomes and will be expected to report on this on an annual basis for a 3-year period from 28 February 2023 (year 1 report due by 28 February 2024, year 2 due by 28 February 2025 and year 3 due by 28 February 2026).

More information on project evaluation can be found in the Monitoring Template guidance.

## 4 Change Process

From time to time Grant Recipients may need to alter or adapt the project based on issues arising during monitoring, or due to changing circumstances. For example, money may need to be moved from one expenditure category to another, or changes may need to be made to the overall expenditure profile of the project, or to the sequence or timeframes in the project plan.

Grant Recipients should inform the relevant Scottish Enterprise Project Manager of any non-material changes made in the quarterly progress reports. However, if the change is material it is essential that Grant Recipients seek approval from Scottish Enterprise before implementing the change.

### 4.1 Types of Changes

Change type	Example causes
Time Project delivery timelines	Change in the application timelines due to slippage
Cost Interim claims Final / total amount claimed	Changes to match funding package Increase or decrease to overall cost Changes to the cost of individual elements but no change to overall cost
Deliverables Indicators Measures	Revisions to output or results indicators based on changing project circumstances

#### 4.1.1 Non-material Change

Provided that the outcomes remain unaffected, non-material changes can include the following:

- Non-cost changes
- A change that involves moving costs between expenditure categories if the impact will change any single expenditure category by less than 5 per cent

#### 4.1.2 Material Change

Examples of material changes include:

- Change of project ownership, control or final beneficiaries
- Change to the nature of the Project
- A change that involves moving costs between expenditure categories if the impact will change any single expenditure category by more than 5 per cent
- Any change to the project as a whole requiring a significant change to the forecast profile of expenditure
- Any change to match funding contributions or sources
- Change to quantifiable outputs/outcomes
- Any change to the expected physical or financial completion dates
- If irregularities or fraud are detected or suspected

Please note that this list is not exhaustive, if unsure please always check with the relevant Scottish Enterprise Project Manager first.

As long as the changes are reasonable, the project is still delivering eligible activity and it still represents value for money, obtaining approval for changes should not be a problem. However, if a Grant Recipient makes a change without getting prior approval from Scottish Enterprise, there is no guarantee that a “retrospective” change will be agreed, and this could result in the loss of some, or even the entire, ERDF grant funding.

If a Grant Recipient has undertaken procurement in the following three circumstances, the material changes are substantial and, therefore, prohibited:

1. The change would have had an impact on who the Grant Recipient would have awarded an original contract to
2. If, during the contract period, changes are made that would have encouraged other tenderers to participate, or it would have been possible for the Grant Recipient to accept another tender, then the changes are to be considered substantive and are not allowed
3. The change significantly expands a contract quantitatively and qualitatively to include elements that were not initially provided for at the time of tender

#### 4.2 Change Request Form

For material changes the Grant Recipient must complete the Change Request form provided in Annex 5. This form should be submitted to the relevant Scottish Enterprise Project Manager as soon as the Grant Recipient is aware of the change.

Change requests will be considered in the context of potential impacts on the project, the project’s risks, and the aims of the LCCF Programme. Changes can be approved, rejected, deferred or more information may be requested. Depending on the nature of the change, the Grant Recipient will receive an email confirmation from Scottish Enterprise, or if necessary an agreed amendment to the Grant Agreement will be made and signed by the Grant Recipient and Scottish Enterprise.

### 5 Monitoring

The information provided in the quarterly Claims and quarterly progress reports will be used to track the project’s expenditure and progress towards the achievement of milestones against forecasts.

The following measures will be used to monitor and assess progress of the project in relation to claims processing and reporting requirements:

Measure	Description	Outcome sought
Claims submitted on time	The % of eligible claims submitted on time to LCCF	Grant Recipients submit claims per the agreed timeline
Claims returned	The % of claims that have to be returned by Scottish Enterprise due to inaccuracy or incompleteness	No claims returned

Transaction audit check	The number of transactions that fail an audit and compliance check	100% compliance
Eligible spend against budget	The % of eligible costs incurred to date against budget	Actual defrayed (incurred and paid) expenditure is in line with budget
Quarterly progress reports submitted on time	The % of quarterly progress reports submitted by deadline	100% submitted on time. Quarterly progress reports should be submitted throughout the project whether or not milestones have been achieved or expenditure has been incurred

## Annex 1: Claims Evidence Checklist

Check	Yes / No	Type of Evidence	Comments
<b>Direct staff costs</b>		Payroll records Timesheets Contracts Job Descriptions Payslips BACS Bank Statements  (Minimum 40% of staff time dedicated to the project)	See National Rules section 4.2.1
<b>Procured costs (services &amp; equipment)</b>		Invoices Bank statements  All relevant procurement evidence is required to be retained by the Delivery Agent	See National Rules section 1.8
<b>Procured equipment</b>		Asset Register  Also refer to procured costs section above and Procurement section below	See National Rules section 4.1.6, 4.1.7 and 4.1.8
<b>Procured marketing services</b>		Evidence of compliance with publicity requirements  Also refer to procured costs section above and Publicity and Procurement sections below	See National Rules section 4.1.9
<b>Publicity</b> Has the project fulfilled its commitment to publicise the EU contribution to this Operation as stated in the Grant Agreement?		Logos on Stationery, Website Logos on Advertising & Promotional Material such as Brochures, Flyers, Billboards Funding Acknowledged in Press Releases, use of EU hashtags, following @scotgovESIF, Photographic proof or hard copy examples etc	See <i>publicity guidance</i> at: <a href="https://www.gov.scot/publications/esif-publicity-requirements-2014-2020/">https://www.gov.scot/publications/esif-publicity-requirements-2014-2020/</a>

<p><b>Procurement</b> Where applicable, are public procurement, EU procurement rules and regulations being followed?</p>		<p>It is expected that the relevant procurement exercise adheres to all procurement policies both internally and in accordance with EU regulations</p> <p>Complete the Procurement Checklist</p> <p>All documents to be retained as per the retention policy of the ERDF Programme</p>	<p>See <i>Procurement guidance, Section 4 of the LCCF Audit, publicity and compliance guidance</i></p>
<p><b>Match funding</b> Does match funding evidence correspond to match funding stated in the Grant Agreement?</p>		<p>Match Funding confirmation letter Internal Accounting Explanatory Notes (if required)</p>	<p>See <i>LCCF Guidance for Applicants – Section 7.1</i></p>

## Annex 2: Statement of Compliance with the Condition of Grant



**EUROPE & SCOTLAND**  
European Regional Development Fund  
Investing in a Smart, Sustainable and Inclusive Future

### STATEMENT OF COMPLIANCE WITH CONDITIONS OF GRANT

#### The European Regional Development Fund (ERDF) & Low Carbon Challenge Fund.

#### [Name of project and reference number]

This is to confirm that the Grant claimed by [name of Grant Recipient] in relation to the above Project during the financial claim period ended [date] was properly due and was used for its intended purpose(s) in accordance with the terms and conditions of the Grant. This statement is supported by the records of [name of Grant Recipient] and signed by the company's Director of Finance or equivalent.

Signed:

Name in block capitals:

Position:

Date:

### Annex 3: Quarterly Progress Report template

A word version of this template will be provided ahead of the first claim submission

<b>Project ref no.</b>	
<b>Name of organisation</b>	
<b>Project name</b>	
<b>Reporting period</b>	

<b>Project summary</b>
<i>Provide a summary of the project and its key objectives.</i>

<b>Physical progress</b>
<i>Describe the key project activities undertaken during the reporting period. The project activities should relate to those outlined in the Stage 2: Full Application Form and Grant Agreement.</i>

<i>Outline any issues and explain how these are being managed. Assign a RAG (Red, Amber, Green) rating to indicate the current status.</i>
--------------------------------------------------------------------------------------------------------------------------------------------





**Match funding**

*Include information for each source of match funding in the table below.*

<b>Match funding source</b>	<b>Total match funding confirmed (as outlined in the Grant Agreement)</b>	<b>Match funding received this reporting period (£)</b>	<b>Cumulative match funding received to date (£)</b>

*Provide details of any potential changes to the match funding package here.*

**Outputs and Outcomes**

*Provide details of progress towards the achievement of outputs and outcomes as outlined within the Stage 2: Full Application Form and Grant Agreement. Identify any specific issues relating to measuring or evidencing the targets or take up of assistance from SMEs. If there is any slippage, outline what measures are being put in place to bring things back on track.*

**Procurement**

*Provide details of any procurement activity undertaken during the reporting period.*

**Publicity**

*Provide details of any publicity undertaken during the reporting period. This may include: promotional information, banners or stationery and any press releases, newspaper articles or events. Copies/screen prints of the publicity materials is required for audit purposes and should be included with this report when it is submitted to Scottish Enterprise.*

**Horizontal themes**

*Provide details of progress towards the achievement of the following horizontal themes as outlined within the Stage 2: Full Application Form and Grant Agreement:  
(i) Sustainable development (ii) Equal opportunities and non-discrimination and (iii) Equality between men and women.*

**State Aid**

*If applicable, provide details of state aid provided to an SME(s) during the reporting period and how this was managed.*

#### Annex 4: Claim Form and Monthly Expenditure Summaries

This is a separate excel document which will be made available to successful Grant Recipients.

#### Annex 5: Change Request Form

A word version of this template can be provided on request.

<b>Project ref no.:</b>	
<b>Name of organisation:</b>	
<b>Project name:</b>	
<b>Date:</b>	
<b>Change type:</b>	
Time <input type="checkbox"/> Cost <input type="checkbox"/> Outputs/outcomes	
<b>Describe the change being requested:</b>	
<b>Describe the reason for the change:</b>	
<b>Describe all alternatives considered:</b>	
<b>Describe the impact of this change on overall project delivery:</b>	
<b>Describe resources and costs needed to implement this change:</b>	
<i>To be completed by Scottish Enterprise Approve</i> <input type="checkbox"/>	
<i>Reject</i>	
<i>Justification of decision:</i>	
<i>Name and Date approved:</i>	

## 5.1 Change request checklist

Type of change	Yes / No	Required Evidence	Additional evidence – possibly required
<b>Time</b>		Updated project plan	Revised GANT chart or calendar of delivery
<b>Cost</b>		Updated financial plan	Financial documents justifying the change
<b>Outputs/Outcomes</b>		Updated output/outcomes	Proof of revised targets/outputs

Please note: this checklist is not exhaustive. Further evidence might be required.