



Llywodraeth Cymru
Welsh Government

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Welsh European Funding Office

European structural funds programmes 2007-2013

Guidance

In-kind Match Funding

Version: 5

Date: February 2014

Guidance Note

In-Kind Match Funding

Purpose

1. The note gives further guidance on the eligibility of in-kind costs and match funding under the 2007-2013 Welsh Structural Funds programmes, and on the relevant European Commission (EC) audit requirements.

The Welsh National Rules on the Eligibility of Expenditure for the 2007-2013 Structural Funds Programmes¹ and any other guidance referred to within this document can be located on the Welsh European Funding Office website

Background

2. Expenditure on approved projects is eligible if it has been incurred and paid out in line with section 4.1 of the Welsh National Rules on the Eligibility of Expenditure. However whilst for the most part this takes the form of cash payments, non-cash payments may also be eligible.
3. The contribution by an individual or organisation of a service or product to an EU-funded project free of charge is classified as in-kind match funding . All in-kind costs must be eligible, actual, evidenced and essential to the delivery of the project..

Legal basis

4. Article 56 Paragraph 2 sub paras (a) (b) and (c) of EC Regulation 1083/2006 dated 11 July 2006² sets out the European Commission requirements related to in-kind match funding contributions. The regulation states that:

“.....contributions in kind may be considered as incurred expenditure by beneficiaries for the implementation of operations under the conditions’ outlined below:

- (a) the eligibility rules drawn up on the basis of paragraph 4 foresee the eligibility of such expenditure;
- (b) the amount of expenditure is duly justified by supporting documents having equivalent probative value to invoices, without prejudice to provisions set out in specific Regulations; **(N.B. Sponsors should**

¹ <http://wefo.wales.gov.uk/publications/guidance/general/welshnationalrules1/?lang=en>

² as amended by Council Regulation (EC) No 284/2009 of 7 April 2009 and regulation (EU) No 539/2010 of the European Parliament and of the Council of 16 June 2010
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ensure WEFO's agreement in advance as to what constitutes equivalent probative value)

(c) in the case of contributions in-kind, the co-financing from the Funds does not exceed the total eligible expenditure excluding the value of such contributions.”

Article 56(2) of Council Regulation (EC) No 284/2009 of 7 April 2009 also enables in kind contributions in respect of financial engineering instruments, to be treated as expenditure paid at the constitution of the fund(s), where all the above criteria listed at (a), (b) and (c) are demonstrated.

Paragraph (a) refers to the Welsh National Rules on the Eligibility of Expenditure which under section 4.1.1 state:

“In-kind contributions are eligible expenditure provided that:

- they consist in the provision of **land or real estate, equipment or materials; research or professional activity or unpaid voluntary work** (including unpaid professional services);
- their value can be **independently assessed and audited**;
- in the case of the provision of land or real estate, the **value is certified** by an independent qualified valuer or duly authorised official body;
- in the case of **unpaid voluntary work**, the value of the work is determined taking into account the amount of time spent and the normal hourly and daily rate for the work carried out. “

Discounted sales of equipment and the discounted provision of services or advice (e.g. solicitors, accountants' or SME staff time) are ineligible.

Guidance

In-kind contributions are eligible expenditure provided that they comply with the EU Regulations, the relevant sections of the Welsh National Rules on the Eligibility of Expenditure, and additional criteria as follows:

Land and Real Estate / Buildings – ERDF specific

Sections 4.3.3 and 4.3.4 of the Welsh National Rules on the Eligibility of Expenditure refer to the eligibility of land and buildings under the Welsh **ERDF** programmes. However, project sponsors should note that the 10% limit on land purchase is not applicable to in-kind land contributions.

In addition to the criteria set out in the Welsh National Rules on the Eligibility of Expenditure, the following points are also relevant when land/ buildings are used as in-kind match funding:

- a. The certificate confirming the value of the land/ building should be based on the market value at the time of the *commitment* of the contribution. This will be determined on the coincidence of the following:
 - dated evidence of the project sponsors' contribution of the land/ building to the project
 - dated certificate confirming the value of the land/ building
- b. The valuer's certificate shall confirm that any building used for the purposes of in-kind match funding conforms to national regulations or where it does not, highlight these areas and confirm that rectification is foreseen under the project. Rectification costs (i.e. site clearance / decontamination / preparation) are also potentially eligible as in-kind match funding if they are directly related to the delivery of the project and covered under sections 4.3.6 and 4.3.7 of the Welsh National Rules on the Eligibility of Expenditure.

Equipment and Materials – ERDF specific

2. Sections 4.3.8 and 4.3.9 of the Welsh National Rules on the Eligibility of Expenditure refer to the eligibility of equipment and second hand equipment under the Welsh **ERDF** programmes. In addition to the criteria set out in the Welsh National Rules on the Eligibility of Expenditure the following points are also relevant when equipment and materials are used as in-kind match funding :
 - a. The project sponsor must maintain evidence on the value of the amount committed as in-kind match funding. This may be in the form of a published price list or catalogue showing the equipment or materials or, for more bespoke items, valuation from an independent qualified valuer.

Research or Professional activities

3. The following points are relevant when research/ professional activities are used as in-kind match funding :
 - a. The sponsor must maintain evidence that the value of the services provided equals the amount claimed as in-kind match funding:
 - A published tariff or rate list for the service provided should be available.
 - Evidence should be available to prove that these figures are competitive with competitor prices.

- Timesheets or other records of the time contributed need to be maintained if the cost uses this basis. (see Annex II)

Unpaid Work

4. In the case of unpaid work, the value of the work is determined taking into account the amount of time spent and the normal hourly and daily rate for the work carried out (section 4.1.1 of the Welsh National Rules on the Eligibility of Expenditure). Additionally:
 - a) Amounts claimed for this activity must be claimed at a rate commensurate with the nature of the work undertaken and not based on the usual salary or wage rate of the volunteer. If a volunteer does the same or similar duties as paid staff, the rate allowed for the volunteer will be the salary rate of the paid employee. In the absence of a comparative salary rate, acceptable rates are included in Annex I. **The rates outlined in Annex I for the use of unpaid work as in-kind match funding should not be exceeded for any project.**
 - b) The inclusion of costs of more specialist and technical roles as in kind match funding would need to be agreed with WEFO before the activity commenced. The project would be expected to keep clearly documented justification for the specialist and for the agreed salary rate used for the purposes of in kind match funding.
 - c) Time sheets should be maintained to support the hours claimed towards the project and should be signed by the volunteer and employer. An example of an appropriate time-sheet is included in Annex II.
 - d) Only persons acting in a wholly voluntary capacity will be eligible. Where an employee of the project performs additional 'voluntary' duties these will not be eligible as in-kind match funding.

Remember that project staff costs and amounts claimed in respect of employed participants involved in ESF-funded activity, are classified as actual match-funding (e.g. actual salaries supported by documented evidence) and not 'in-kind' match-funding.

Project Assessment and Risk

5. Projects where there are significant amounts of in-kind match funding may be vulnerable to cashflow difficulties should the amount or timing of in-kind activity vary. Project sponsors should also ensure that they provide a full audit trail for annual audits.

In-kind contributions must always be supported by a complete audit trail.

Calculation of Grant

6. As outlined at the section entitled, 'Legal basis', bullet point c above, the structural fund contribution to a project will not exceed the total eligible expenditure minus the in-kind contribution. For example:

a) Total eligible costs	£396,000
b) contribution in kind	£213,000
c) Actual expenditure incurred ((a)-(b))	£183,000

Maximum ERDF grant is £183,000 (regardless of priority level intervention rate)

7. In-kind contributions must **always** have a corresponding project cost i.e. in the project financial tables; the **in-kind cost** will appear on the expenditure side and will be exactly balanced by a corresponding **in-kind match funding** figure.

8. Capital project costs should only be matched by in-kind match funding that relate to capital, and equally revenue costs only by revenue in-kind match funding.

Should project sponsors have any queries in respect of the guidance note, please contact your assigned WEFO Project Development Officer, who will be able to assist

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ANNEX I AGREED NOTIONAL COSTS TO BE USED AS ACCEPTABLE RATES FOR VOLUNTARY WORK

The rates below have been provided and confirmed by Welsh Government statisticians and are based on analyses using the 'Annual Survey of Hours and Earnings', (ASHE), which includes the latest data published 12 December 2013 (Please note that the rates are for the UK and exclude London and South East regions).

Job Title	SOC Code ³	Hourly Rate (£)	Annual Rate (£)
Project Manager	2424	21.72	42,756
Project Researcher	2426	16.55	31,880
Project Coordinator	3539	14.94	28,944
Trainer	3563	14.26	27,775
Project Administrator	4159	10.13	19,812

From the 1st October 2013 new National Minimum Wage (NMW) rates came into force. The NMW applies to nearly all workers and sets hourly rates below which you must not allow pay to fall. For Pay Reference Periods (PRPs) beginning on or after 1 October 2013, you will have to pay all eligible workers the following

Workers aged 21 years of age plus	£6.31
Workers aged 18 to 20 inclusive	£5.03
Workers aged under 18 (but above compulsory school age)*	£3.72
Apprentices*	£2.68

*under the age of 18 and no longer of compulsory school age i.e. a person is no longer of compulsory school age after the last Friday of June of the school year in which their 16th birthday occurs

³ Standard Occupational Classification
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VERSION HISTORY

Version	Date published	Summary of changes	Author/ WEFO Contact
3	August 2011	<ul style="list-style-type: none"> • Legal basis updated to correctly reflect EC Regulations • Signify acceptance of in-kind contributions relating to Financial Engineering Instruments • Inclusion of 'Participant Costs – ESF Specific' 	Vanessa Hansford (Tel: 0300 062 8415)
4	October 2011	<ul style="list-style-type: none"> • To update national minimum wage rates 	Vanessa Hansford (Tel: 0300 062 8415)
5	February 2014	<ul style="list-style-type: none"> • Formatting of document • Removal of 'Participant Costs – ESF Specific' • Updated national minimum wage rates • Updated agreed costs to be used as acceptable rates for voluntary work 	WEFO Regulations & Compliance (Tel: 0300 062 8415)

