Building Better Opportunities Essential update February 2022 - Increases to Employer NI Contributions, Financial Forecasts as we Approach the End of the Programme and Audit Support Post Project Closure

Increases to Employer NI Contributions

In light of the changes to employer national insurance rates from April (please see: Rates and thresholds for employers 2022 to 2023), we are expecting a substantial number of requests to change 1720 hourly rates. Please remember, the process of changing 1720 hourly rates was updated in October, details can be found in Essential update October 2021 Number 2 – 1720 Hourly Rate Approval Process Update. For an employee with a salary of £25,000, assuming nothing else has changed, the 1720 hourly rate will increase by 10p an hour.

The employment allowance remains at £4,000 for 2022 to 2023 for organisations that have employer (class one, secondary) national insurance contributions of over £100,000 in the previous year. Where applicable, this must be considered in calculating hourly rate; and for costs for fixed percentage and 100 per cent staff in the months in which the allowance was claimed.

Financial Forecasts as we Approach the End of the Programme and Audit Support Post Project Closure

As part of the recent extension to the BBO programme up to 2023Q2, extended projects were asked to provide forecasts on their Annex A, detailing how all of the remaining grant will be spent by **2023Q2**.

The additional funds awarded were based on historical knowledge of the average spend incurred per quarter by a project, in a period prior to the Covid pandemic. The pandemic has had a significant impact on how projects deliver, with many adaptations made to delivery models to ensure participants are engaged and supported appropriately and safely. In many cases, since the extension, the average spend per quarter has been lower than anticipated; this may result in some unspent funds accruing by the end of your project. As a result, from the **2022Q1** claim onwards, we require projects to provide realistic forecasts of their expected spend each quarter until the end of the project.

Please only enter what you realistically expect to spend based on your current knowledge of how project delivery has adapted, both during the pandemic and how you expect it to further adapt during recovery, which in many cases will be less than the full grant. As things evolve, this forecast can be revised back upwards in future claims. It is worth stating that we are in no way reducing the available grant, but we do require realistic forecasts.

If you could utilise any expected underspend, which must be in line with ESF rules, to adapt delivery to make project improvements, please discuss those plans with your Funding Officer to seek approval of them. However, please be aware that for extended projects, delivery activity can still only run until **2023Q1** at the latest, with **2023Q2** being a small administrative claim.

As we approach programme closure we thought it would be useful to remind you that:

- Your final claim, which for most projects will be **2023Q2** (but could be earlier), is a small administrative claim only and is expected to only include the staffing costs associated with submitting your final delivery claim (**2023Q1** for most), dealing with any queries arising from our normal claim testing process or supporting audit activity in that period. Your Annex A forecast for your final claim should reflect that and we do not expect to see significant costs forecast for that final claim.

- Project delivery will need to cease in the quarter preceding your administrative claim at the very latest.

- All delivery costs should be included in claims prior to your final administrative claim. Projects need to plan for this ensuring all eligible costs are defrayed and claimed in good time as it will not be possible to claim any costs post closure. Examples of costs you may wish to consider including:

- Costs associated with storing project records safely in line with document retention requirements, which is currently estimated until 31 March 2034
- Project evaluation costs

- You will also need to have staff available to support audit activity post project closure, as your project may be selected in Article 125 or 127 samples or EU Commission audit. Costs for providing that support cannot be claimed past the final administrative claim, however, it is important, as without that support your project would likely be subject to significant clawback due to the audit failures that would occur. At this stage we expect:

    - Article 125 activity to last to around March 2024;
    - Article 127 activity to last to early 2025, and
    - Projects could potentially be selected for audit by the European Commission at any point up to the document retention requirement, currently estimated as 31 March 2034.