**Essential Update September 2019 – Grant closure guidance and additional direct staff costs methodology**

**Grant closure guidance**

Our grant closure guidance is now available as [Section 14 of the Guide to Delivering European Funding](https://www.tnlcommunityfund.org.uk/media/documents/building-better-opportunities/guidance/section14/Grant-Closure-v1.pdf?mtime=20190823133058). Please ensure that you familiarise yourself with this, even if your project is not closing in the immediate future.

**Introduction of additional direct staff costs methodology: Fixed percentage methodology**

On 22 July 2019 the MA issued [Action Note 038/19](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/820361/038-19_SCO_Staff_Costs_Action_Note.pdf) which introduced an additional direct staff cost methodology resulting from European Commission regulation updates (Article 68a (para 5) of the EU Omnibus Regulations (PE-CONS 13/18)). This document sets out our approach for BBO projects to the introduction of the **‘New ESF Direct Staff Cost Methodology 4’.**

The **New ESF Direct Staff Cost Methodology** provides an alternative to 1720 calculations for staff who work part of their time on BBO. However, it can only be used when an employee works a **fixed amount of their time per month on BBO**. For staff that fall into this category, it allows a **percentage of their** **actual gross employment cost** for the month to be claimed. There is no obligation to have a separate working time registration system, i.e. a time sheet.

For example, if an individual works 50 per cent of their time every month on a BBO project, and their actual gross employment costs for a month are £1,500 then 50 per cent of this, £750, can be claimed.

Please note that **employees whose hours per month on BBO vary must continue to use the 1720 hourly rate**.

The use of this methodology is optional - grant holders are not required to introduce it and can continue to use previously calculated hourly rates.

**Process**

We will be allowing the use of the fixed rate methodology to be included in claims from **Q4 2019** onwards for salaries from October 2019. If you wish to introduce it into your project we must agree to the change.

**Requesting to use new fixed percentage methodology**

You must initially discuss it with your funding officer and then complete an **Annex D: Project change form** detailing:

* The staff members/roles involved
* Any budgetary implications (increased/decreased staff costs)

In line with our current approach to hourly rates, the funding officer will approve/reject the change, but will not review any calculations or letters as standard, unless it is selected for sampling.

If approved, you must update the project **staff list** and submit this to your funding officer. This should specify how the direct cost of the employee is being claimed, i.e. full cost, hourly rate or fixed percentage.

**Documentation**

You will need to ensure that there is contractual documentation in place that confirms the fixed percentage of time that the employee is working on the BBO project such as:

* An HR letter
* A job description
* A contract of employment
* Another contractual document issued by the employer to the employee

In addition to the requirements set out in **section 8.1** of the **Guide to Delivering European Funding** this documentation must clearly show that the employee works part of their time on a BBO project funded by the European Social Fund and The National Lottery Community Fund; and **set out the percentage of time each month they work on it**.

**Claims**

The percentage of the gross employment costs claimed will be the **same every month and be based on the information provided in the contractual documentation**. To change this percentage, you would need to submit a change request to your funding officer explaining the reasoning for doing so. **It is not permitted for the percentage to vary month by month**, otherwise the 1720 methodology must be used.

If sampled, you will need to provide a copy of the contractual documentation, along with the payroll and any other supporting evidence needed to demonstrate the actual gross employment costs and defrayal. No timesheet is required.

Please be aware, the **Action Note 038/19** contains the statement “as the ‘Fixed Percentage’ methodology is a Simplified Cost Option, there is no requirement for defrayal evidence”. This relates to what is required by the MA and their Article 125 teams. The defrayal evidence for simplified cost options remain auditable and the Government Internal Audit Agency’s **Article 127** team will want to see this information. **Therefore, you must continue to collect the defrayal evidence for staff costs where the fixed percentage methodology is used**. Your funding officer will ask to see this during their claim’s checks.

**Additional considerations**

**Overtime**

If a staff member works overtime which does not affect the percentage of their time spent working on BBO, the fixed rate can still be applied. As the percentage of time spent working on ESF that month is consistent, the project can claim whatever the fixed percentage is of the gross monthly staff costs for that month. Please remember this has the potential to increase your staff cost, even if overtime costs are not for BBO work.

If overtime causes fluctuations in the proportion of time an employee spends on BBO the fixed percentage methodology cannot be used as it is against the principles of the methodology. Regular overtime may be a flag to suggest that someone is not working a fixed percentage of their time on a project and that 1720 hourly rate may be the correct option for them.

**Alternative working patterns**

The fixed percentage methodology will only work where an individual is employed with regular hours (full or part-time) and a single rate of pay. It therefore cannot be used to claim direct staff costs for individuals employed on contracts such as zero or minimum hours or have multiple rates of pay.

If an employee has more than one contract with an organisation, assuming their hours for each are fixed and they are on the same rate of pay for each, the fixed percentage methodology can be used.

 We cannot accept any apportioning of salaries or on costs such as employers’ national insurance or pension other than where fixed percentage methodology has been approved.

**People working on more than one BBO/ESF programme**

If an employee is working on more than one ESF project (this may be BBO or other ESF streams) the contractual documentation must set out the amount of time the individual will set out on each project per month to ensure that the combined time does not exceed 100 per cent of their contracted hours.

To date we have advised that staff who work over more than one BBO project but spend 100 per cent of their time on BBO, to complete a time sheet to support the apportionment of their salary. If, the individual works a fixed amount of time on each project and has the documentation as set out above, a time sheet will no longer be required but you will still need to formally apply for changes using an Annex D.

We cannot cover all employment scenarios within this guidance, if you have any specific queries please speak to your funding officer.