NORTH OF TYNE COMBINED AUTHORITY

# NTCA Funding Guidance to Applicants

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## Welcome

Thank you for reading this guidance. We have put much thought into our funding programmes in order for them to work in a way that enables successful delivery but also allows us to meet our statutory and reporting requirements.

North of Tyne Combined Authority (NTCA) is, by nature, a partnership organisation – we were created by three local authorities – Newcastle, North Tyneside and Northumberland. The ambition is, without question, visionary. We want a dynamic and more inclusive economy, which brings people and opportunities together to create vibrant communities and a high quality of life, narrowing inequalities and ensuring that all residents have a stake in our region's future. It is, therefore, no surprise that we need to understand and record our journey on achieving this. We are committed to learning from how our programmes and projects are delivered, with the aim of assessing what works and what doesn't to enable us to continually improve.

In the spirit of this partnership we know the benefits of developing shared values. Corporate success and improved economic, social, and environmental conditions are inherently linked and, when achieved together, they will dramatically enhance future prosperity in the North of Tyne.

We are committed to fair employment practices and have developed a Good Work Pledge that we expect our partners to sign up to. We have a zero-tolerance approach to modern slavery and a robust social value policy. We have declared a climate emergency and our expectations include an emphasis on reducing carbon emissions. We are committed to acting ethically and with integrity in all our business dealings and relationships, and to implementing and enforcing effective systems and controls to ensure our values are reflected in our own organisation, our supply chains and with our partners.

Through our Assurance Framework, we have a commitment to ensuring accountability and transparency of decision making, and a need to monitor and evaluate projects and programmes to ensure they achieve value for money and achieve outcomes expressed in the North of Tyne Devolution Deal.

If you need any help or assistance or further information about anything in this document, please get in touch with your NTCA contact.

## 1. Introduction to Funding Guidance

This guidance document is a source of information for potential applicants, grant recipients and their delivery partners as well as NTCA staff. It sets out the eligibility principles and practices to which we expect all projects to adhere. In certain circumstances there may be variations relating to a specific funding stream, these flexibilities will be clearly set out in the calls for proposals.

The guidance will be regularly reviewed to ensure it remains relevant, adding value to the process and reflecting any changes to national policy. It is designed to standardise delivery practices to enable NTCA to effectively manage projects and programmes.

## 2. Who can apply for NTCA funding?

Any organisation can apply for NTCA funding including Public Sector, Private Sector, Voluntary Community and Social Enterprise (VCSE) sector, and Higher Education. However, some funding streams will target specific sectors. Please contact NTCA prior to applying to see how your project fits with the available funding opportunities.

Non-public sector applicants applying for funding will be subject to a financial due diligence assessment. This assessment tests that financial health of the applicant organisation, its on-going sustainability, its ability to manage the cash flow requirements, and its ability to repay funding if necessary.

### 2.1 Organisation Size

Private sector organisations must provide details of company size. A combination of number of employees and turnover is used to define the size of a business.

| | |
|---|---|
| **Large Enterprises** | Employ 250 people or more and have an annual turnover of more than €50 million. |
| **Medium-sized Enterprises** | Employ fewer than 250 people and have an annual turnover of no more than €50 million. |
| **Small Enterprises** | Employ fewer than 50 people and have an annual turnover of no more than €10 million. |

## 3. How to apply for NTCA funding

NTCA will publish fund specific criteria and the application process on the NTCA website, inviting project applications to meet specific funding needs. These will normally be issued via a call for proposals which will set out the strategic context and any specific project requirements.

All projects will be required to complete a business case and associated supporting documents based on the requirements on the HM Treasury Green Book. Projects will be assessed against their contribution towards the priorities in the NTCA's vision and according to the Five Case Model set out in the HM Treasury Green Book. NTCA also include a sixth case within the application and appraisal process – The Inclusive Economy Case. **The amount of detail required in the business case should be proportionate to the scale and complexity of the project.**

| | |
|---|---|
| **The Strategic Case** | Provides a compelling case for change that explains how the project provides fit with the objectives of the NTCA's Vision and how it aligns to regional and national priorities. |
| **The Economic Case** | Describes how the project represents the best public value in meeting our economic and inclusive economy objectives. |
| **The Commercial Case** | Demonstrates that the deal is attractive to the market, can be procured and is commercially viable. |
| **The Financial Case** | Shows how the project is affordable and financially sustainable. |
| **The Management Case** | Confirms that that the capacity is available and proportionate to the delivery requirements and that the project is deliverable, achievable, and adequately planned. |
| **The Inclusive Economy Case** | Explains how the project contributes to the Inclusive Economy objectives of NTCA – a key priority identified in the NTCA Vision that goes beyond the broader value for money assessment. |

In addition to the business case, applicants will be required to enter key project information including financial profiles, output targets, milestones and risks on to North East Open Project System (NE OPS). NE OPS is a live project environment that allows active projects to provide updated financial and output profiles, as well as submit claims to NTCA. Guidance is available on the NTCA website for **registering and using NE OPS.**

## 4. General Rules and Principles

### 4.1 Eligible Expenditure Date

Projects can begin to incur expenditure from the date of approval. This is either the date of the NTCA Cabinet meeting or the date of an agreed Delegated Decision when the project was formally approved. Decisions are published on the NTCA website and you will also be informed formally of this date by your assigned NTCA officer.

Projects can spend at risk from the date of approval when the project is accepted onto the programme. Any expenditure incurred before this date is not an eligible project cost.

### 4.2 Verification

Project applicants must be able to provide an audit trail to evidence that expenditure has been incurred and defrayed (paid out of the applicant's bank account). As part of the quarterly claims process, NTCA will undertake a sample check of 5-10% of expenditure, selecting a number of transactions from each claim. Recipients will be required to provide supporting evidence to verify expenditure. Evidence will include but is not limited to:

- Invoices
- Payslips
- Quantity Surveyor Reports
- Screenshots of finance systems
- BACS statements
- Bank Statements

## 4.3 Payment in arrears and Intervention Rate

NTCA's claim process operates quarterly in arrears with projects able to claim for actual expenditure on project activities on a quarterly basis after the money has been spent. Applicant organisations are required to cashflow the project prior to receiving the first claim payment; this needs to be factored into project planning and financial profiles included within the business case. Once a complete claim is received against eligible expenditure as described in the business case, NTCA will pay the grant to projects based on the project intervention rate.

For example, a project with a total value of £1m with £500,000 NTCA investment would have a 50% intervention rate. If a project submitted a claim for £200,000 of eligible expenditure then NTCA would pay 50% of those costs (£100,000).

In exceptional circumstances NTCA may agree to adjust the profile of financial drawdown, this should be discussed and agreed as part of the development of the business case.

## 4.4 Match Funding

NTCA expects match funding to auditable and attributable to project expenditure. Therefore, match funding for projects must relate to actual project expenditure. Section 4.3 sets out that funding from the NTCA investment fund will reimbursed to project applicants in arrears and at an intervention rate. For example, a project with a total value of £1m with £500,000 NTCA investment would have a 50% intervention rate. The remaining £500,000 would be match funding.

There is no fixed proportion of match funding.

Match funding can be provided from the applicant, delivery partners, or third parties such as businesses or other funding bodies. Applicants must be able to provide evidence to NTCA that match funding is in place prior to the project commencing.

Loans from banks, building societies etc may also be used as match funding. The loan should be secured prior to contracting to ensure project delivery in line with the agreed timescales.

**Contributions in kind are not eligible as match funding**. In-kind contributions, such as services offered free of charge or donation of staff time or equipment that cannot has a notional but not actual value, may be included in project applications as added value and to support the value for money statement, but they cannot be included within the project budget.

The only in-kind contribution that may be accepted is the donation of buildings or land where an independent valuation can be provided. If you are preparing a project that involves the donation of land or buildings as a project cost, it is essential you discuss this with NTCA at the earliest opportunity to agree the process.

### 4.5 Delivery Partners

NTCA encourages collaborative projects and the inclusion of delivery partners within project applications. Delivery partners are defined as organisations that support the lead applicant to deliver the project and actively undertake activity and incur expenditure on behalf of the project. All delivery partner costs should be included in the project budget and it is expected that delivery partner expenditure will be claimed at cost, in line with agreed processes set out in the business case.

It is the responsibility of the lead applicant to verify costs and outputs of delivery partners. Lead applicants are expected to enter into partnership agreements or SLAs with delivery partners that pass down the terms and conditions of the NTCA Grant Funding Agreement.

**Any organisation that is charging a fee for a service must be procured and would not be considered a delivery partner.**

### 4.6 Procurement

NTCA are committed to ensuring value for money in use of public funds. Public sector organisations are expected to follow public procurement regulations for works, supplies or services. Non public sector organisations should have regard for the need for value for money in relation to project expenditure. It is expected that all organisations applying for NTCA funding should undertake competitive, fair, transparent, and non-discriminatory procurement processes in the selection of any works or service contractor. We encourage organisations we work with to procure locally where this can be done in compliance with procurement regulations. Applicants will also be expected to retain records of procurement exercises and/or value for money assessments.

### 4.7 Outputs

Output measurements are a key accounting tool to measure the impact of our investments. The NTCA Outputs Guidance has been developed as a tool to support applicants set appropriate output targets and provide verification criteria.

Applicants should ensure appropriate systems and processes are put in place to:

- Collate claim documentation and supporting evidence
- Compile data for statistical analysis or evaluation
- Track progress against contracted output targets

Output measures need to be defined during both project design and delivery. Care should be taken to:

- Understand the resources needed to manage and collate the outputs
- Develop systems and processes that capture project outputs and results

When designing projects, applicants must consider which outputs are relevant to the type of activity you intend to deliver.

### *4.7.1 Objectives*

All projects are required to define SMART objectives that relate to the project outputs. SMART stands for Specific, Measurable, Achievable, Realistic, and Time-bound. In practice this means that objectives are targeted outcomes and should include metrics and timescales, e.g. To create 250 direct jobs by December 2022.

### *4.7.2 Outcomes*

In addition to the measurable outputs and objectives your project may lead to softer outcomes as a result of activities undertaken that can be acknowledged in the added value of the intervention. Although these are not formally monitored in the same way as outputs, these should be included in the narrative progress report supporting your claim.

### *4.7.3 Benefits*

Beyond the standard outputs recognised by NTCA, your project may also offer additional benefits. These will be measurable improvements that result from an outcome and provide an advantage to beneficiaries but that aren't represented in the NTCA Outputs Guidance. Including additional benefits in your business case also contributes to the added value of the proposed project.

## 4.8 Subsidy Control

Following the UK's departure from the European Union on 31 December 2020, a new UK Subsidy Control regime is now in place. As such, NTCA will require all project applicants to provide a statement confirming whether the award of funding classifies as a subsidy **and if so**, how their project is compliant with the new UK Subsidy Control regime. In some cases, a legal opinion may also be requested to provide the required assurance. This should include but not be limited to confirmation as to how the subsidy being provided (e.g. the funding) is compliant against the six principles below:

1. It pursues a specific public policy objective to remedy an identified market failure or to address an equity rationale such as social difficulties or distributional concerns ("the objective")
2. It is proportionate and limited to what is necessary to achieve the objective
3. It is designed to bring about a change of economic behaviour of the beneficiary that is conducive to achieving the objective and that would not be achieved in the absence of subsidies being provided
4. It should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy
5. It is an appropriate policy instrument to achieve a public policy objective and that objective cannot be achieved through other less distortive means
6. Its positive contributions to achieving the objective outweigh any negative effects, in particular the negative effects on trade or investment between the Parties

This is a requirement under the new regime, set out in the BEIS Technical Guidance*.*

**Please note the statement provided, and where appropriate supporting legal advice, should cover both the applicant's receipt of the Funding from NTCA and any subsequent transfer of that Funding to third parties.**

## 4.9 State Aid

The vast majority of State Aid in the EU regime was awarded under block exemptions (e.g. GBER). No such exemptions are yet in place under the new UK Subsidy Control regime. As such, NTCA considers that the EU State Aid regime continues to serve as a useful reference point for determining whether a measure is permissible against the above principles. Please therefore ask your legal advisers to also confirm how your proposal is compliant with the EU State Aid Rules. Please refer, where applicable, to the relevant General Block Exemption Regulation (GBER) Articles.

## 4.10 Evaluation

NTCA have developed their own Monitoring and Evaluation Framework and intend to undertake evaluations at a programme level. If applicants wish to undertake evaluations, these can be included as part of project costs, however you should discuss the design and scope of the evaluation with NTCA officers to ensure complementarity with the scope of wide NTCA evaluation commitments.

There may be occasions when projects are asked to undertake project level evaluations. This will be detailed in the call document prior to application.

All projects receiving NTCA funding will be required to contribute and participate in programme led evaluations.

## 4.11 Inclusive Economy

Applications to NTCA will be assessed based on the HM Treasury Green Book Five Case Model. NTCA have introduced Inclusive Economy as a Sixth Case. Applications will need to clearly set out how the project aligns and adds value to NTCA's Inclusive Economy Policy Statement.

NTCA seeks to support initiatives that create a more social and inclusive economy, address inequality and poverty, and drive better coordination of education, skills, employment and health.

We expect projects to promote wellbeing across all our communities by ensuring wealth is retained locally and distributed more equitably.

Projects should seek to enable North of Tyne residents to access opportunities at every stage of their lives by co-designing support with a strong emphasis on the needs and assets of our places and people.

## 4.12 Shared Policies

NTCA's Corporate Policies are available online. We encourage applicants to read these policies, and where practicable, describe within project applications ways in which these values are shared and embedded within project activity.

Key aspects of policies include:

| | |
|---|---|
| **Modern Slavery** | NTCA has specific prohibitions against the use of forced, compulsory or trafficked labour, or anyone held in slavery or servitude, whether adults or children, and we expect that our suppliers will hold their own suppliers to the same high standards. This includes third parties and those in receipt of funding and grants awarded and administered by NTCA. |
| **Social Value** | Social value is about maximising the additional social, environmental and economic benefits that can be created by commissioning activity, above and beyond the standard measures.<br><br>Through our project application process we aim to maximise the impact of our spend, make best use of taxpayers money, and generate and capture as much value as possible. |
| **Equality & Diversity** | We want North of Tyne to be a welcoming and truly inclusive region in which everyone is able to share in our prosperity, culture and community life regardless of their age, socio-economic background, disability, race, religion, gender, gender identity, sexual orientation, marital status or whether they are pregnant or on maternity leave.<br><br>NTCA will proactively embed equality and diversity considerations in everything we do and encourage others to do the same, and require organisations from whom we are commissioning services to follow our approach to equality. |

### 4.13 Communications & Publicity

NTCA is proud of the work it undertakes and seeks to maximise publicity and reach. The most important thing to us is to create impactful communications that fairly reflect our role as a funder. We are flexible on how this is done and want to work with you to represent NTCA and our branding in relevant and relatable ways.

NTCA has specific Branding and Communications Guidance and this should be reviewed during project development.

## 5. Revenue Funding

Revenue expenditure is eligible where the activity fits within the scope a specific call for projects. Eligible revenue costs should fit within the following expenditure headings:

| Expenditure Heading | Types of expenditure to be included |
|---|---|
| **Salaries** | Please see separate section below |
| **Flat Rate Indirect Costs** | Please see separate section below |
| **Travel & Expenses** | Costs for travel and expenses related to project staff and activity. This can include mileage and public transport costs in line with the applicant's travel and subsistence policy. |
| **Accommodation Costs** | Accommodation costs such as rent or rates that can be directly attributed to the project. For example, if building is used solely for the purposes of the project then the rent and rates for that building can be included in the project budget.<br>**If costs need to be apportioned, then they should be covered by the flat rate indirect cost.** |
| **Materials & Consumables** | Includes costs for specific materials, small equipment, and goods that need to be used and regularly replaced that are necessary for project delivery. |
| **Training** | It is expected that staff members should have the skills and experience to deliver the project, however this budget line covers any necessary training for staff skills and development that are absolutely necessary to deliver the project. Inclusion of training budget will be challenged during project appraisal to ensure it is additional and proportionate. |
| **Marketing & Promotion** | Includes marketing costs such as press releases, social media, events, and publicity materials to promote project activity. |
| **Consultancy/ Legal Fees** | Procured consultancy support to deliver specific aspects of project activity that cannot be undertaken by project staff. This can include legal fees where applicable. |
| **Evaluation** | Costs associated with evaluation of project activity. Please refer to Section 4.9. |
| **Other Revenue** | Any other direct costs that do not clearly fit into the categories above. The business case or granular budget breakdown should provide details as what these costs include. |

### 5.1 Salaries

Costs associated with staff members employed to deliver project activity. Salaries included as project expenditure must be actual costs and cannot include day rates. NTCA request that applicants use a simplified cost methodology to calculate salaries in order to standardise processes and reduce administrative burden on all sides.

The simplified cost methodology falls into three categories:

- Staff working 100% of their time on the project
- Staff working a fixed proportion of their time on the project (Fixed Hours)
- Staff working intermittently on the project (Hourly Rate)

### *5.1.1 100% of time*

Staff working 100% of their time on the proposed project can include their full gross salary within project claims. This will include gross salary (before deductions) plus on costs such as employer's national insurance contributions, employer's pension contributions, and any extra costs included within the employees' contract.

### *5.1.2 Fixed Hours*

Staff costs related to individuals who work part of their time on a project may be calculated as a fixed percentage of the gross employment costs, in line with a fixed percentage of time working on the project per month, with no requirement to complete time sheets.

The employer **must** issue a document for employees setting out the fixed percentage of time for working on the project. This could be, for example, in the form of a job description or a letter from HR detailing the new contractual hours of work. The key requirement is that it must be formally documented. Personnel working flexibly across a number of projects where hours fluctuate would not be able to use this methodology. They would need to keep time sheets and use the 1720 hours calculation (see below).

### *5.1.3 Hourly Rate*

The hourly rate is the cost per hour of a project staff member whose time needs to be recorded on time sheets, because they either:

- Do not spend 100% of their time working on the approved project (e.g. the activity covered by the relevant Funding Agreement) and do not work a fixed percentage of their time on the project
- Work flexibly on more than one NTCA funded project

The underlying principle is that the project pays for the hours of work it receives. It allows an organisation to make use of existing staff as well as newly appointed staff on a temporary or ad hoc basis whilst being appropriately compensated. If a member of staff is absent from work for whatever reason (including sick leave, maternity/paternity leave) the assumption is that hours of work required by the project would be covered by an alternative member of staff and thus paid at an agreed rate. Projects cannot claim for notional hours that *might* have been worked should an individual be absent from work.

### *5.1.4 How is the hourly rate calculated, agreed, and checked?*

The hourly rate is calculated by dividing the **Latest Gross Annual Employment Costs** by 1720. In the calculation, the **'Latest Gross Annual Employment Costs'** refer to the individual's gross salary + Employer's National Insurance Contributions + Employer's Pension Contribution + any other contractual costs to the organisation relating to the post.

1720 hours assumes a working week of 33 hours – it therefore overcompensates by between 4 and 9 hours depending on an organisations standard working week to take account of annual leave costs.

If individuals work part time, their hourly rate must be calculated by using a corresponding pro-rata of 1720 hours. This means that if an individual's working pattern is 0.5 FTE the gross employment costs would be calculated as follows:  1720 x 0.5 = 860.

The following table demonstrates the calculation in more detail:

| **(A) Job Title**<br>**(B)** | Project Manager | Project Officer | Admin Assistant |
|---|---|---|---|
| **(C) Employee Working Pattern** | Full Time | Full Time | Part Time 0.8 FTE (4 days per week) |
| **(D) Annual Gross Salary** | £40,000 | £28,000 | £18,400 |
| **(D) Employers National Insurance** | £4,200 | £2,550 | £1,220 |
| **(E) Employers Pension** | £8,400 | £4,200 | £2,000 |
| **(F)**<br>**Any other Contractual Staff Salary Costs** | £1,200 | | |
| **(G)**<br>**Total Actual Gross Employment monthly Cost (C+D+E+F)** | £53,800 | £34,750 | £21,620 |
| **(H) Hourly Rate (G/1720)** | £31.28 | £20.20 | £15.71* |

** Calculation is £21,620 / 1376 (1720 * 0.8 = 1376) to account for 4-day week.*

Once agreed with NTCA, the hourly rates are fixed and cannot be changed other than with the agreement of NTCA.  In the case of a project implemented over several years, applicants will have the option to update the hourly staff cost annually at agreed review points. The review points will normally be set at the Project Initiation Meeting. This means the rates will be agreed in principle during appraisal with initial verification of the rates taking place prior to payment of the first claim. NTCA will agree the future review points with the applicant/grant recipient.  The first review point can be within 12 months of the initial agreement/verification of the rates but would not normally be conducted any more than annually from the date of the first review. A key principle of the simplified method is to reduce the administrative time required to update and check the hourly rates so multiple review points during a single year would not be agreed.

Hours claimed must be evidenced by appropriate timesheets.

### *5.1.5 Points of Note*

- The latest annual gross employment cost has to be documented through accounts, payroll reports, etc. This information does not have to be audited in advance but has to be auditable.
- Latest documented annual gross employment costs may be derived from the available documented gross employment costs or from the contract for employment, duly adjusted for a 12-month period. This means the actual gross annual salary of the individual should be used at the point at which costs are included in the project.
- Only the hours actually worked should be used for calculating the eligible staff costs. Annual leave for instance is already included in the calculation of the hourly staff costs.
- Staff costs calculated using the hourly rate can then be used to calculate the indirect costs through the use of the flat rates for indirect costs.
- As this is a unit cost the rate does not have to be justified with each claim. Evidence is through time sheets.
- This method can only be used for **direct** staff costs. Indirect staff costs are calculated and claimed using the flat rates for indirect costs.
- The added value of using the simplified methodology is that it reduces the calculation and checking requirements at full application stage, appraisal, claims and audit stages.
- Changes in guidance pertaining to the calculation of the hourly rate can be implemented at the agreed hourly rate review point or at any other point agreed by NTCA. Projects are not required to adhere to the guidance in place at the point of approval for the project lifetime. Changes in guidance can be adopted with the agreement of the managing authority.

**Where projects require hourly rates, the use of the 1720 hours methodology will be used in the majority of cases. At the discretion of NTCA other methodologies may be agreed however this will be by exception and only in cases where there is a strong justification and sufficient assurance can be easily demonstrated to ensure value for money.**

## 5.2 Flat Rate Indirect Costs – Simplified cost options: 15% Flat Rate

Flat rate indirect costs refer to shared costs or overheads. These are genuine costs to the project but cannot be directly attributed or audited. Many organisations have complex methodologies for calculating and apportioning indirect costs, and these can be administratively burdensome to evidence and audit. NTCA will utilise a flat rate to calculate indirect costs attributable to all projects. The tracing/auditing of all costs to individual supporting documents is not required - this is the key point of simplified costs as it significantly alleviates the administrative burden. The 15% flat rate enables the calculation of **all indirect costs** attributable to a project without the need for complex apportionment or overhead methodologies or checking of evidence/audit trail associated with indirect costs.

Some specifically defined research and innovation activity may attract a higher rate if they meet certain criteria.  This is set out in more detail in Section 5.2.3 below.

### *5.2.1 Definitions of Costs*

It is important to define the types of costs within a project and ensure that there is no overlap between the types of costs to avoid any costs being double funded e.g. wrongly classified as direct (and included as such) when in fact they are indirect and already covered by the flat rate. To avoid the risk of double funding the following definitions apply.

#### *5.2.1.1 Direct Costs*

All eligible costs ***other than direct staff costs*** which are essential for the delivery of the project. This includes (but is not an exhaustive list):

- Premises costs and associated running costs which are **exclusively** used for the **project** – that is to say costs that are **not** shared or apportioned across multiple projects.
- Equipment used exclusively for project purposes.
- Materials and consumables purchased solely for project activity.
- Other costs such as marketing, publicity, and evaluation where these can be clearly identified and directly attributable to the project.
- Stipends, as these are not salaries associated with a contract of employment but a living allowance – these could be agreed as an eligible direct cost where the payment relates to a period of time within the project lifetime and the student is required to carry out a piece of work which directly relates to project activity.
- Procured goods/services/works (used exclusively by the project) essential for the delivery of project activity.
- Cost of business trips, other travel, and subsistence.

#### *5.2.1.2 Exclusions – Shared or Apportioned Costs*

This includes shared/ apportioned premises and running costs as well as shared/ apportioned assets, equipment or services used for purposes other than the project. This is to avoid the use of apportionment methodologies.  A general rule of thumb is that if a methodology is required to calculate the cost to the project it would be classed as indirect. **This does not mean that project costs need to be separately invoiced to constitute a direct cost**, they just need to be specifically and clearly attributable to a project.

#### *5.2.1.3 Indirect Costs*

Any costs which do not fall within the direct staff costs category, or other direct costs categories, are indirect costs and will be claimed using a flat rate.  Such costs do not have to be individually identified or listed within an application.

Indirect costs, often referred to as 'overheads' are those costs which are linked to activity that supports the delivery of a project but cannot be easily attributed to the project in terms of the actual specific cost and cannot be evidenced by invoices or other transactions.

Such costs include:

- Support from non-public facing staff, not engaged in activity directly related to the implementation and management of the project (i.e. HR, payroll support).
- Other costs which are not ***solely*** associated with the delivery of the project, such as the shared premises costs including rent, utilities, cleaning, IT maintenance or insurance. This means that unless a premise is used for only the project outlined in the business case then the costs would be derived from the 15% flat rate. There is no apportionment methodology to share the cost of premises and running costs amongst projects as a direct cost.
- Costs of services, equipment or assets not exclusively used by the project where an actual specific cost cannot be identified.

Indirect costs can apply to capital and revenue projects. If delivery of a capital project involves direct staff costs as a revenue cost (e.g. engaged in activity directly related to the implementation and management of the project) then the rate can be applied but would be included as a revenue element to the project in the project budget.

### *5.2.2 Calculating Indirect Costs*

A project will essentially contain three types of costs:

- **Direct Costs** – costs which are directly related to the delivery of the project activity. These costs are not calculated with the flat rate and the rate is not applied to them. They will be subject to audit and must be capable of being traced back to original actual cost-based transaction.
- **Direct Staff Costs** – the salaries and on costs for those staff engaged in activity directly related to the implementation and management of the project. This is the cost driver for the flat rate, e.g. the 15% rate is applied to these costs to calculate the eligible indirect costs.
- **Indirect Costs** – a figure arrived at by applying the flat rate of 15% to the direct staff costs, this figure will then be used to cover those costs which are not or cannot be connected directly to the project activity and an exact actual cost cannot be attributed to the project.

Indirect costs are calculated by applying a simple flat rate of 15% to **direct eligible staff costs**. Using the flat rate applicants ***only*** need list direct staff costs and other direct costs. ***There would be no need to identify, cost out or list indirect costs.*** They would be included in a cost schedule as:

**Indirect costs (£) = Direct Staff Costs x 15% (0.15)**

In such cases the actual indirect costs are not auditable at all – only the direct staff costs (used to calculate the indirect costs) and the other direct costs would be checked and verified.

### *5.2.3 Uplift for Research and Innovation*

Certain types of project are understood to have increased indirect costs and can therefore benefit from a higher rate. The uplift can increase the flat rate up to 25% of direct salary costs. The following types of activity may be eligible for increased flat rate indirect contributions. However, this list is not exhaustive, other activity may be considered eligible at the discretion of NTCA:

- Investment in infrastructure, capacities, and equipment in SMEs directly linked to research and innovation activities.
- Investment in infrastructure, capacities, and equipment in large companies directly linked to research and innovation activities.
- Research and innovation activities in public research centres and centres of competence including networking.
- Research and innovation activities in private research centres including networking.
- Technology transfer and university enterprise cooperation primarily benefiting SMEs.
- Cluster support and business networks primarily benefiting SMEs.
- Research and innovation processes in SMEs (including voucher schemes, process, design, service, and social innovation).
- Research and innovation infrastructure, processes, technology transfer, and cooperation in enterprises focusing on the low carbon economy and on resilience to climate change.

## 5.3 Ineligible Revenue

The following individual revenue costs are not eligible for support:

- Notional costs, e.g. where an item usually retails at £x, but the applicant buys it cheaper but claims the difference between the price paid and £x.
- Payments for activity of a political nature
- Provisions, e.g. money set aside to pay for future events e.g. sink funds
- Contingencies and contingent liabilities
- Dividends
- Interest or service charges arising on debt incurred including finance leases, hire purchase, and credit arrangements
- Costs resulting from the deferral of payments to creditors
- Costs involved in winding up of a company
- Payments for unfair dismissal
- Compensation for loss of office
- Payments for gifts and donations
- Entertainment apart from food and non-alcoholic drink provided for a meeting
- Statutory fines and penalties
- Criminal fines and damages
- Legal expenses in respect of litigation

**This list is not exclusive and any queries about the eligibility of costs not included in the list above should be addressed to NTCA.**

# 6. Capital Funding

## 6.1 Capital Assets

NTCA define a capital asset as:

- Any item of equipment or other moveable asset costing in excess of £10,000 which on the date of its purchase by a Recipient has a useful life of more than three Financial Years and is purchased wholly or partly out of the funding provided.
- Any land or building which is acquired, built, or improved wholly or partly out of the funding provided.

Applications should set out the types of assets to be purchased through the project and applicants should be aware that NTCA may wish to hold restrictions on those assets as part of a grant funding agreement.

## 6.2 Contingencies

Inclusion of contingencies in capital projects is standard practice in project development and planning to allow for cost fluctuations and unforeseen costs. NTCA will therefore allow a contingency budget to be identified at application stage **for capital projects only** under the following circumstances:

- A risk analysis should have been undertaken to establish all significant risks to a project, identifying uncertainties around the actual budget estimate to ensure the proposed figure for contingency is reasonable.
- The value of a contingency budget can be used to determine the total eligible costs. This should be clearly identified and quantified within a granular breakdown and should be included within the relevant budget heading e.g. the building and construction line, or other appropriate cost category within the finance tables.
- There will be no reimbursement of costs against the heading ‘contingency’ as such costs will be defrayed and claimed within the relevant cost category under which they are agreed and contracted. Submitted claims cannot include contingency as an eligible item. Only actual costs relating to the agreed budget headings should feature in any breakdown of expenditure.

### 6.3 Eligible Capital Expenditure

Capital expenditure is eligible where the activity fits within the scope a specific call for projects. Eligible capital costs should fit within the following expenditure headings:

| Expenditure Heading | Types of expenditure to be included |
|---|---|
| **Land Acquisition** | The cost of purchasing land which is not built upon. |
| **Building Acquisition** | The cost of acquiring a building if there is a direct link between the purchase and the objectives of the project. |
| **Site Investigation** | The cost of investigations and inspections of sites to collect information, and report potential hazards or risks of a site which are unknown. |
| **Site Preparation** | The costs associated with demolition of existing buildings and structures, clearing of building sites, excavation, levelling, drainage, and other preparation prior to construction. |
| **Building & Construction** | This should include external/ internal refurbishment and conversion of existing buildings, new build premises, provision of services, and landscaping. |
| **Plant & Machinery** | This should include tangible fixed assets used for the purpose of providing a service for the project. It should also include equipment required for operational and research purposes where it is directly related to the project. The purchase costs of second-hand equipment are eligible provided they meet the needs of the projects and have not been purchased with the aid of national or community grants. |
| **Fees** | This should include fees and salaries for design and supervision. Fees include legal consultancy fees, notarial fees, and the cost of technical and financial experts if they are directly linked to the project and are necessary for its preparation or implementation. |
| **Other Capital** | Any eligible capital expenditure not covered by the categories above provided it can be clearly demonstrated that these are directly related to the delivery of the project. |

### 6.4 Ineligible Capital

The following would not be eligible:

- Costs not directly linked to the project. Where only part of the capital development fits with the scope of the funding priorities, costs will need to be apportioned.