



## Project Development - Eligibility of Expenditure

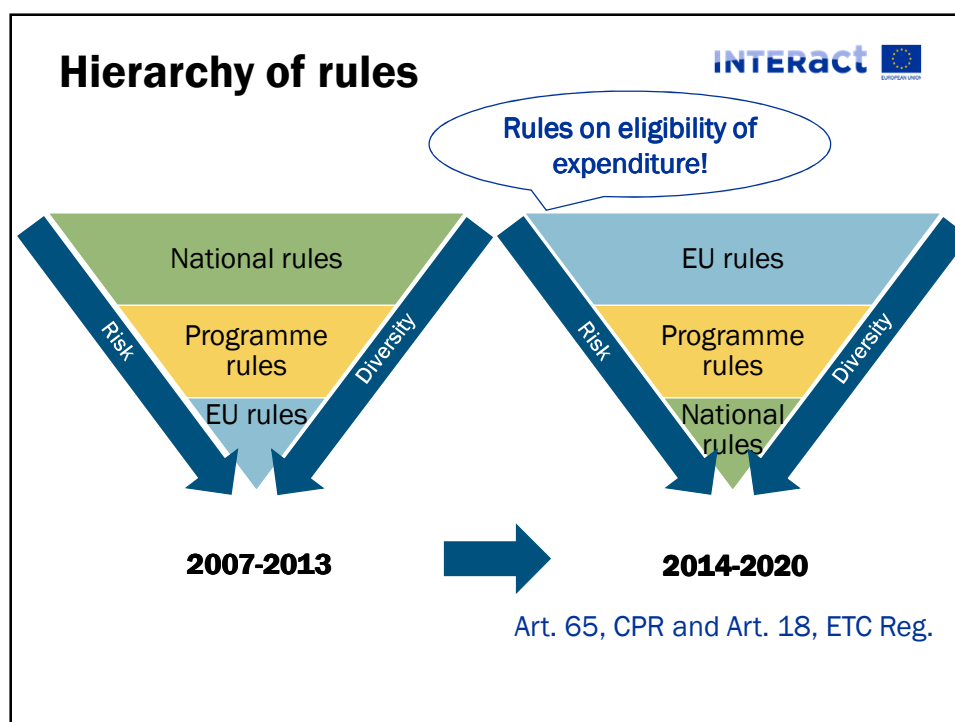
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Interreg Finance Management Camp  
6 – 9 November 2018 | Florence, Italy

**Iuliia Kauk, Interact Programme**







## Hierarchy of rules

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Rules on eligibility of expenditure!

1. Common Provisions Regulation (CPR) 1303/2013

2. ERDF Regulation 1301/2013

3. ETC Regulation 1299/2013

4. EC Delegated Regulation 481/2014

### EU rules



- Established jointly by the Member States in the programme monitoring committee

- Apply to the programme as a whole

- Cannot contradict EU rules

### Programme rules



- Matters not covered by EU rules and programme rules

- Cannot abolish or restrict EU rules and programme rules

### National rules

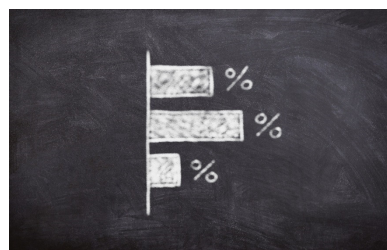
## Reimbursement forms

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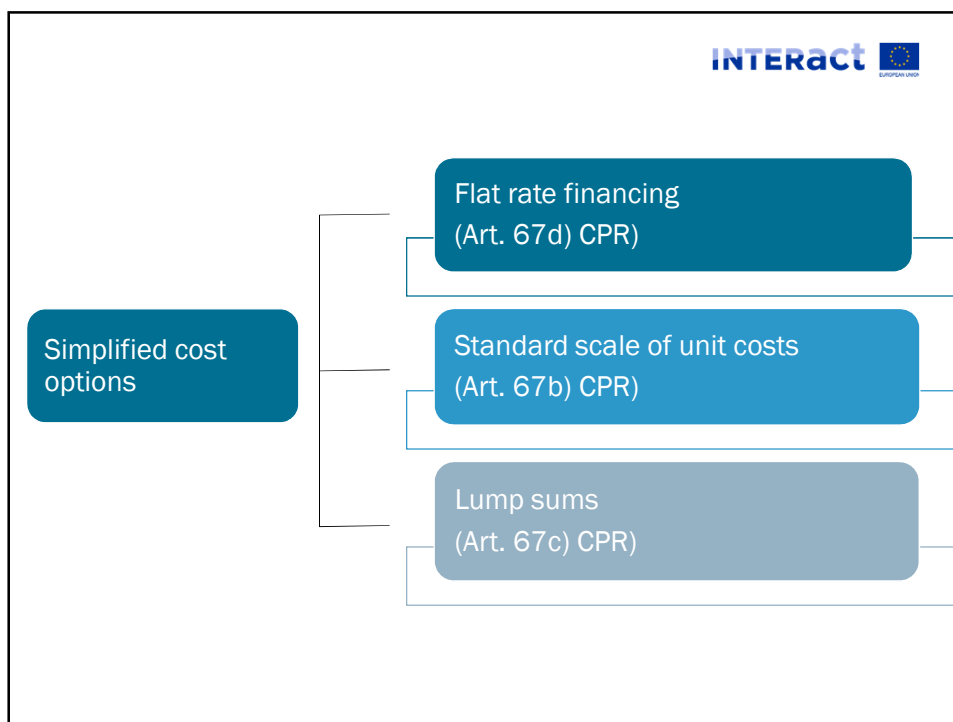
### ► Real costs


- Tracing every Euro of co-financed expenditure
- Based on supporting documents




### ► Simplified cost options

- No need to trace every Euro
- Ex-ante calculations
- New logic: overcompensation/undercompensation possible
- Reduce administrative burden



**Flat rate** **INTERact** 

- calculation of costs of a specific budget line(s)
- calculated by applying a percentage fixed in advance
- percentage applied to one/several other budget lines



► Example:

**Staff costs \* 0,15 = Office and Administration costs**

**Direct costs other than the staff costs \* 0,20 = Staff costs**

## Standard scale of unit costs

- calculation of all or part of costs of a specific budget line
- calculated by applying a standard unit cost fixed in advance
- applied to easily identifiable quantities
- fair, equitable and verifiable calculation method

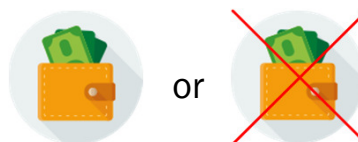
### ► Example:

Cost for advisory service based on historical data

**Number of days \* EUR 350**

## Lump sum

- calculation of all or part of costs of the project
- subject to achievement of predefined outputs/activities
- single payment – maximum limit EUR 100.000 of public contribution per project \*in 2007-2013



or

### ► Example:

Project preparation costs

Costs of predefined project activities

Small projects/ people-to-people projects



To check or not to check?  
That is not a question!

No match between the SCO and  
the bookkeeping?

- Existence
- Calculation basis
- Double financing
- Correct calculation of percentage and, if the case, of the basis (flat rate)
- Inputs/outputs + quantities (standard scale)
- Inputs/ outputs + criteria + other project expenditure (lump sums)

## Omnibus – novelties and extension of SCOs as of 2 August 2018

- Through financing based on fulfilment of conditions
- Mandatory for small ERDF operations < EUR 100 000 of public support
- No limit for lump sums
- Increased flexibility for the hourly rate for staff costs (extrapolations, pro rata calculation)

### New flat rates:

- Up to 20% of the direct costs other than staff costs of the operation to calculate the direct staff costs (from ETC Regulation)
- Up to 40% of eligible direct staff costs to calculate all the other costs

## Ineligible expenditure: non-exhaustive list

### Art. 69, CPR 1303/2013

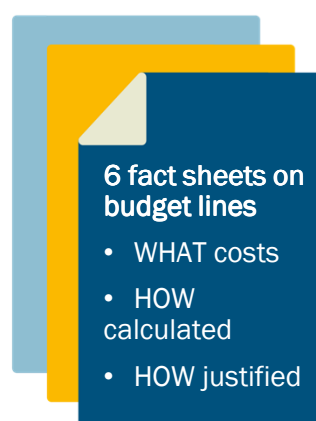
- Interest on debt
- Purchase of land not built on and land built on in the amount exceeding 10 % of the total eligible expenditure
- Recoverable VAT

### Delegated Regulation 481/2014


- Fines, financial penalties, expenditure on legal disputes and litigation
- Costs of gifts (except gifts not exceeding EUR 50, related to promotion, communication, publicity or information)
- Costs of fluctuation of foreign exchange currency


## Budget lines

1. Staff costs
2. Office and administration
3. Travel and accommodation
4. External expertise and services
5. Equipment
6. Infrastructure and works




Available on Interact website  
Matrix of costs





## STAFF COSTS BL1



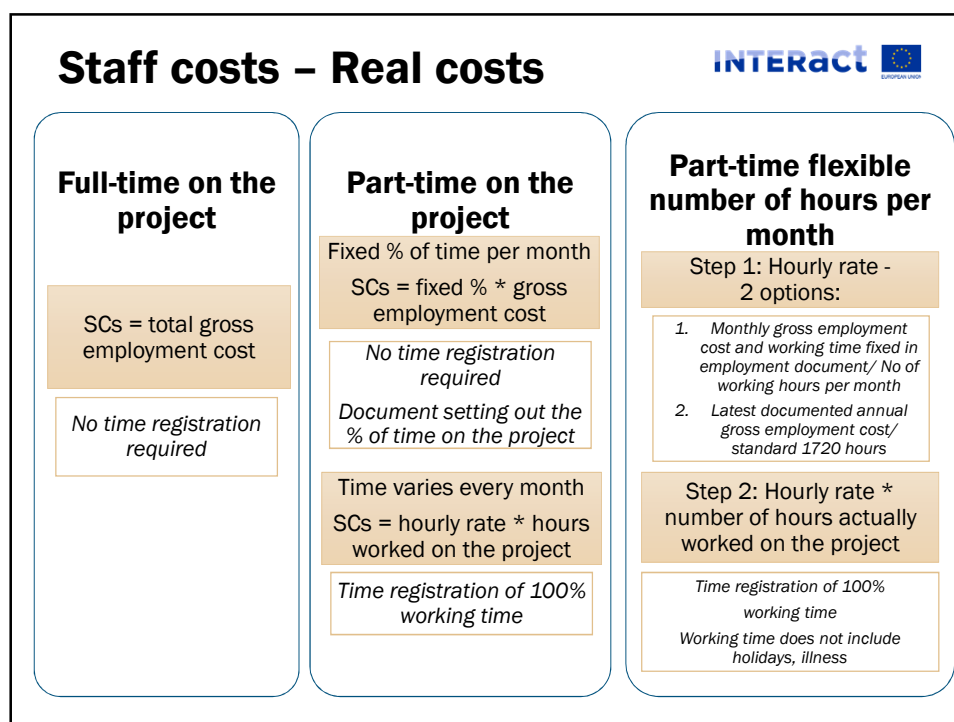
## Staff costs


Eligible cost

- Full and part-time work on the project
- Salary payments and other linked costs (Art. 3 DR 481/2014)
  - all costs fixed in *employment document/ law*
  - salaries related to responsibilities specified in *job description*

Forms of reimbursement

- Real costs (*payslips and proof of payment*)
- Simplified cost options



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## Hourly rate for staff costs – increased flexibility by the Omnibus

Rules for calculating an hourly rate for staff costs (latest documented annual gross employment cost/ 1720 hours) have been clarified (Art. 68a(2)(3) and (4) CPR):

- in the case of part-time work: **pro rata**
- if annual gross employment costs are not available: available data or employment contract adjusted for a 12 month period may be used (**extrapolation**)



## Staff costs – Part-time

### Real costs via standard 1720h/year



Example: Annual gross employment cost 34.400 EUR

Option	<u>Working time</u> fixed in contract		Standard 1720 hours/year
MONTHLY working hours	160	140	143,33
Working hours a YEAR	1920	1680	1720
Hourly rate	$34.400/1920 = 17,9$	$34.400/1680 = 20,5$	$34.400/1720 = 20$
Hours on the project	10 hours	10 hours	10 hours
STAFF COST	$17,9 \times 10 = 179 \text{ €}$	$20,5 \times 10 = 205 \text{ €}$	$20 \times 10 = 200 \text{ €}$

Working time does not include time reserved to holidays, illness.  
Time registration system: 100% of the working time.

## Staff costs – Part-time

### Minimum requirements for time registration



- Identification: project title, organisation name, employee name
- Signatures: employee, line manager
- Working time recorded per month

Date	Project work description	No. of hours worked on the project	Other activities (No. of hours)	Total
12.06.2015	Work package 1	5	3	8
13.06.2015	Work package 2	8	0	8
TOTAL		13	3	100% working time

## Staff costs – Flat rate



### Art.68(a)CPR (Omnibus), Art. 19, ETC Regulation

Staff costs of an operation may be calculated as a flat rate of up to **20 % of the direct costs other than staff costs**

- ▶ can apply on individual partner level
- ▶ partners do not need to provide audit trail for staff costs (but for direct costs)

Each partner can decide on the reimbursement option, unless applicable options are set at programme level.

## Staff costs – Standard scale of unit costs



### Art. 67, CPR

- Ex-ante calculation based on a fair, equitable and verifiable calculation method

Example		
Category	Annual gross employment cost	Hourly rate (annual gross employment cost / 1720h)
1	Below EUR 19.999	11,63
2	EUR 20.000 – 49.999	20,35
3	EUR 50.000 – 74.999	36,34
4	EUR 75.000 – 99.999	50,87
5	Above EUR 100.000	65,41

Data: NWE area, all MS, 5 projects from 2007-2013, 18,5 m ERDF, 51 beneficiary organisations, 297 employees

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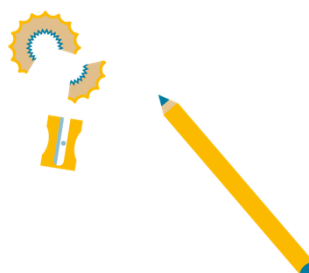
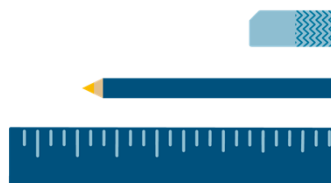
## Exercise – Staff costs calculation

### Your task – work in groups

Imagine that you are PP2

You need to budget costs for your staff.

- Part A: calculate staff costs using SCOs (flat rate, SSUC)
- Part B: calculate staff costs using real costs method
- Part C: consider pros and cons of both methods, pick the best scenario for PP2



**OFFICE and ADMINISTRATION BL2**

## Office and administration



### Eligible cost

- Indirect costs - operating and administrative expenses of the partner organisation that support delivery of the project
- Exhaustive list of costs defined in DR 481/2014

### Forms of reimbursement

- Real costs
- Flat rate

## Office and administration – Flat rate



### Art. 68(1), CPR

Indirect costs may be calculated at a flat rate of:

#### Up to 25% of eligible direct costs

Fair, equitable and verifiable calculation method

#### Up to 15% of eligible direct staff costs

No calculation method is required

- can apply at individual partner level
- partners do not need to provide any audit trail



## TRAVEL and ACCOMMODATION BL3

### Travel and accommodation

#### Eligible cost

- Travel and accommodation costs of staff of partner organisations that relate to delivery of the project
- Exhaustive list of costs defined in DR 481/2014

#### General principles

- Travel and accommodation of external experts - under *External Expertise and Services, BL4*
- Daily rates for hotel and subsistence should be respected, in line with national legislation or internal policy of the partner organisation
- Cost related to travel outside the programme area (Art. 5, DR 481/2014) – location of the partner

#### Forms of reimbursement

- Real costs
- SCO – standard scale

## Travel and accommodation

Standard km rate for travel, Interreg Europe, based on Erasmus + methodology

Distance, km	Km rate for travel, EUR
10 – 99.99	20.00
100 – 499.99	180.00
500 – 1 999.99	275.00
2 000 – 2 999.99	360.00
3 000 – 3 999.99	530.00
4 000 – 7 999.99	620.00

[http://ec.europa.eu/programmes/erasmus-plus/resources/distance-calculator\\_en](http://ec.europa.eu/programmes/erasmus-plus/resources/distance-calculator_en)



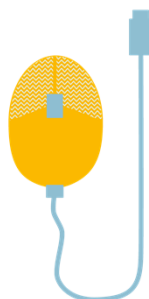
**EXTERNAL EXPERTISE and SERVICES BL4**

## External expertise and services

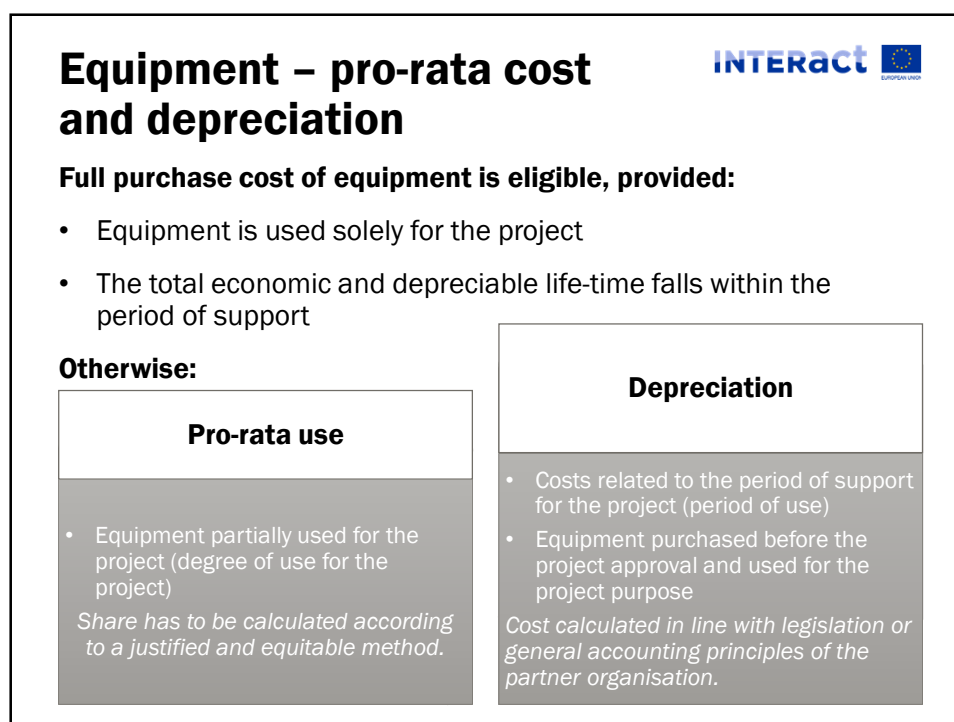
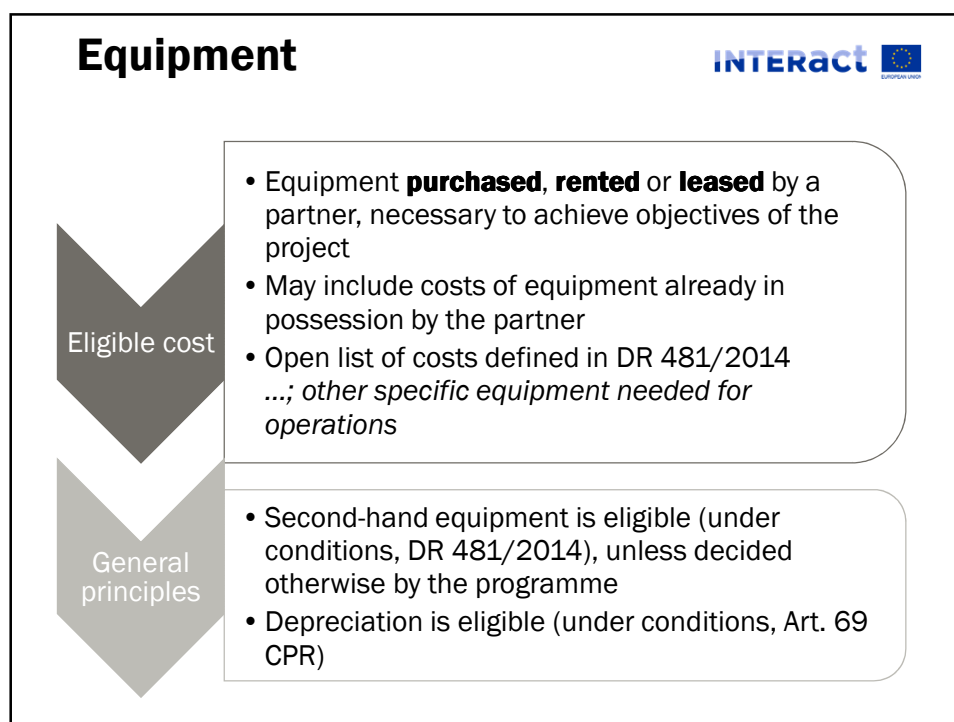
Eligible cost

- External expertise and services provided by a **public** or **private body** or a **natural person** outside of the partner organisation
- Open list of costs defined in DR 481/2014 ...; *other specific expertise and services needed for operations*




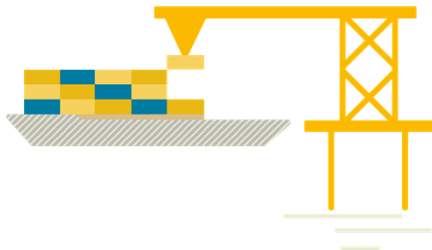


**EQUIPMENT BL5**






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**INFRASTRUCTURE and WORKS BL6**

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**Infrastructure and works**

**Rules on eligibility of infrastructure expenditure**

- Covers costs related to investments in infrastructure that do not fall into the scope of other budget lines
- Some general rules defined in CPR 1303/2013; e.g., purchase of land, durability of operations
- No specific rules defined in the DR 481/2014

[See the fact sheet on the budget line 'Infrastructure and works'](#)

## Infrastructure and works



### Types of activities supported by ERDF

Productive investment

Fixed investment in equipment

Investment in infrastructure

Networking, exchanges of experiences

Studies, preparatory actions, capacity-building



### Costs of activities:

#### Budget lines

Staff costs

Office and administration

Travel and accommodation

External expertise and services

Equipment

Infrastructure and works

## Cooperation works

All materials will be available on:

[www.interact-eu.net](http://www.interact-eu.net)

