

Office and Administration

Fact sheet on eligibility of office and administration expenditure¹ December 2018

Definition

Expenditure on office and administration costs. They cover operating and administrative expenses of the partner organisation that support delivery of project activities.

General principles

- Office and administration costs can be direct and/ or indirect.
 - Direct costs are costs that can be attributed directly to the project and are identified by the partner organisation as such, in accordance with accounting principles and internal rules of the organisation.
 - Indirect costs are costs that cannot be assigned in full to the project, as they link to various activities of the organisation, including activities that do not relate to the project.
- No cost item can be taken into account twice as direct and indirect, i.e. no double financing is permissible (Article 65(11) Common Provisions Regulation (EU) 1303/2013).

Office equipment, IT hardware and software, and furniture and fittings should not be included under this budget line, but under budget line equipment. This does not include IT system support of an administrative nature; the cost falls under the office and administration budget line.

Costs of control and audit of the project cannot be included under this budget line; they must be reported as external expertise and services costs (if carried out outside the partner organisation) or staff costs (if carried out inside the partner organisation).

¹ Guidance provided in this fact sheet takes account of provisions of the regulatory framework 2014-2020 (in particular, rules on eligibility of expenditure for cooperation programmes set up in the Commission Delegated Regulation (EU) 481/2014) and practices in use by ETC programmes in 2014-2020. The fact sheet is by no means a legally binding document.

Reimbursement forms

Office and administration costs can be reimbursed by the programme either as²

1. real costs, or
2. simplified cost options (i.e. flat rate).

Each partner organisation must decide on the reimbursement option and indicate the choice in the Application Form. The reimbursement option is set for the entire project duration.

1. Real costs

Budget line specific rules and calculation of office and administration costs:

- All office and administration costs (direct and indirect) are reported as actually incurred and paid.
- Indirect expenses must be allocated to the project according to a justified and equitable method. The partner organisation should use a pro rata to distribute the organisation's indirect expenses among different activities and to extract the share of indirect costs necessary for the implementation of the project. The allocation methodology should be in line with the general accounting policy of the partner organisation, e.g. allocation of indirect costs to the project based on a percentage of personnel costs.
- Internal practices and rules of the partner organisation that affect the level of indirect office and administration costs must be verified against the principle of sound financial management. In cases where costs are deemed not necessary or excessive, they should be removed from the calculation basis or adjusted to the justifiable level.

Audit trail (real costs)

The following main documents must be available for control purposes:

1. list of direct and indirect costs;
2. paid invoices to justify direct and indirect costs;
3. calculation method and pro rata rate to justify indirect costs reported as real costs;
4. proof of payment.

² The Monitoring Committee of the programme may decide on one reimbursement option and set it at the programme level, e.g. some programmes will finance office and administration costs based on a flat rate only.

2. Flat rate

The flat rate covers all office and administration costs, i.e. there **is no distinction between direct and indirect costs.**

Calculation of office and administration costs

Indirect cost may be calculated at a flat rate in one of the following ways³:

1. a flat rate of up to 25% of eligible direct costs, provided that the rate is calculated on the basis of fair, equitable and verifiable calculation method or a method applied under schemes for grants funded entirely by the Managing Authority for a similar type of operation and beneficiary;
2. a flat rate of up to 15%⁴ of eligible direct staff costs without there being a requirement for the Managing Authority to perform a calculation to determine the applicable rate;
3. a flat rate applied to eligible direct costs based on existing methods and corresponding rates, applicable in Union policies for a similar type of operation and beneficiary.

Office and administration costs can be calculated as flat rate regardless of the form of reimbursement applied under the staff costs budget line, e.g. staff costs calculated as a flat rate can still form the basis for the calculation of the office and administration.

Audit trail (flat rate)

The flat rate does not require documenting that the expenditure has been incurred and paid, or that the flat rate corresponds to real costs.

Eligible and ineligible costs

An exhaustive list of cost elements covered under the office and administration category of costs is provided in the Commission Delegated Regulation (EU) 481/2014. The Interact tool, Matrix of costs, presents further examples of eligible and ineligible costs under this budget line.

³ As provided in Article 68 of Regulation 2018/1046 of the European Parliament and of the Council (Omnibus Regulation as of 2 August 2018).

⁴ The Monitoring Committee of the programme may decide that the applicable rate is lower than 15%. As long as the rate does not exceed 15%, there is no obligation to provide any calculation methodology used.