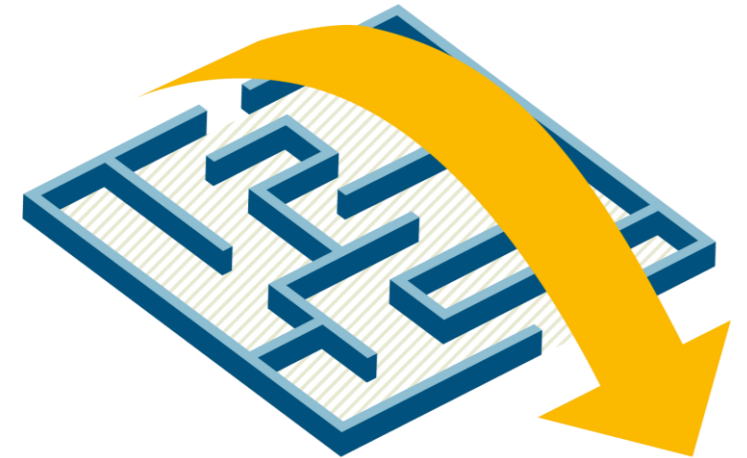


# Up to 40% flat rate to calculate other eligible costs of an operation

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08 November 2022 | Prague, Czech Republic

**Article 56 CPR**



# Organisation

Summary and recap – ca 20 mins

- Main points

Group discussion – ca 45 min

- First experiences and observations
- Considerations

# 40% flat rate

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In a nutshell



# The basics

## Legal frame

Article 56, CPR 'Flat-rate financing for eligible costs other than direct staff costs:

- 1. A flat rate of up to 40 % of eligible direct staff costs may be used in order to cover the remaining eligible costs of an operation. The Member State shall not be required to perform a calculation to determine the applicable rate.**
2. For operations supported by the ERDF, the ESF+, the JTF, the AMIF, the ISF and the BMVI, salaries and allowances paid to participants shall be considered additional eligible costs not included in the flat rate.
3. The flat rate referred to in paragraph 1 of this Article shall not be applied to staff costs calculated on the basis of a flat rate as referred to in Article 55(1).

# The basics

## What does that mean?

Cost category	Budget	Total
Staff costs	300.000€	420.000€
Other (up to 40% flat rate)	$300.000€ * 0.4 (= 120.000€)$	

**Other** covering all Interreg cost categories:

- office and administrative costs,
- travel & accommodation,
- external expertise & services,
- equipment,
- infrastructure & works and
- potential other programme-specific cost categories.

# The basics

What does a 40% flat rate **NOT** mean?

Budget category	Budget	Total
Staff	60% (300.000€)	500.000€
Other	40% (200.000€)	

# The basics

## UP to 40% means ...

A programme can use *any % up to and including 40%* - without there being a need to justify the percentage and prove it with any kind of data **as long as ...**

A programme ensures the equal treatment of all beneficiaries.

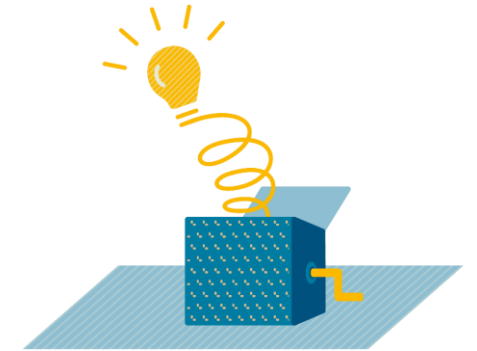
*If a programme considers 40% as „too high“ for some reason, it can use a lower percentage!*



# The basics

## Opportunity

- It's pretty simple!
  - Focus on content;
  - Resource-efficient;
  - Simplified application, reporting, monitoring, control & audit;
- May be suitable for smaller projects with many, other than staff, low-value cost items;
- Can be combined with staff costs calculated as unit costs → the whole budget implemented as SCOs >>> *fulfills legal requirements to implement projects below EUR 200 000 total costs & small projects below EUR 100 000 public contributions fully as SCOs! (Article 53(2) CPR & Article 25(6) IR)*



# Once we asked you....

## Project type

## Partner type

Research, education, other soft projects, PO1 + ISO projects, etc

Research institutions, universities and other educational institutions, public SMEs (partially), charity,



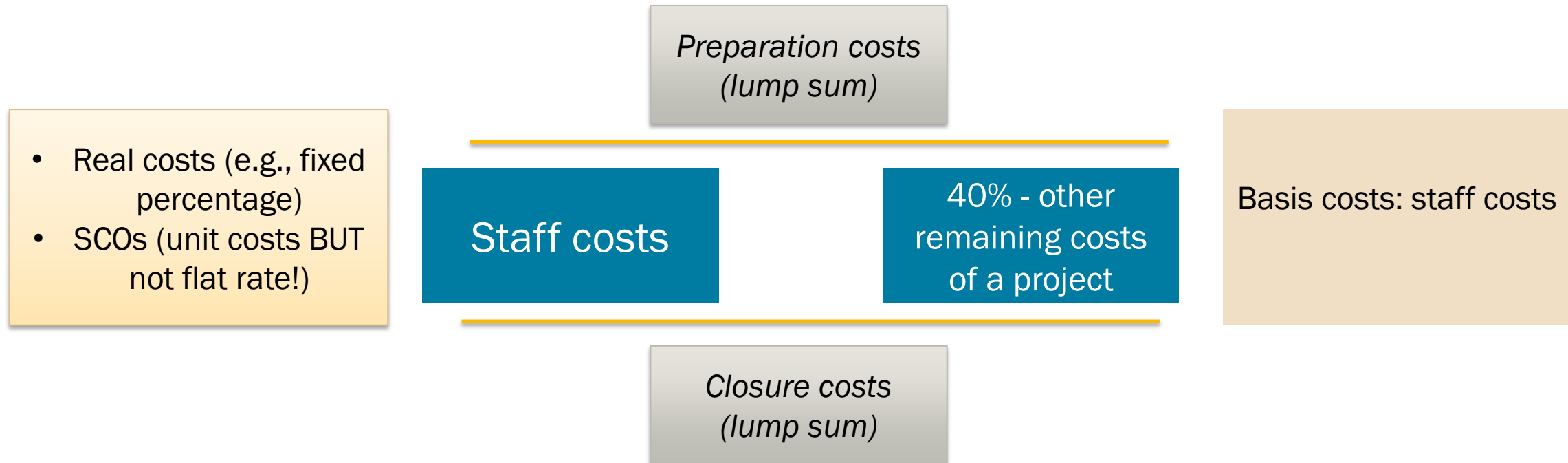
# 40% flat rate - combinations

Article 56(1) CPR

A flat rate of up to 40 % of eligible direct staff costs may be used in order to cover the remaining eligible costs of an operation.

Article 53(3) CRP

e) a combination of the forms referred to in points (a) to (d), provided that each form covers different categories of costs or where they are used for different projects forming a part of an operation or for **successive phases of an operation**.



# Flat rate – up to 40% of eligible direct staff costs for remaining eligible costs of an operation

## TO CHECK:

- “basis” costs – eligible staff costs:
  - verification of the staff costs is based on the reimbursement method of staff costs (could be unit costs or fixed percentage/**real costs**);
  - double-financing – staff costs cover only staff costs (as only 2 cost categories);
- correct calculation of up to 40% flat rate (*programme’s rule and multiplication – done automatically by the e-monitoring system*).

## NOT TO CHECK:

- underlying expenditure that is covered by the 40% flat rate!
- costs incurred and hidden under FR correspond to 40% of the staff costs!!!! – quality assessment and value for money – checked by the MA/JS at the assessment stage (ultimate question to answer: are the outputs/ activities promised by the project worth the X amount of the total project budget?)

# 40% flat rate ≠ a free pass on programme rules

**Programme rules (as well as EU rules & national rules) are still there and applicable when SCOs are used (incl. 40% flat rate) and project partners must comply with them.**

**BUT**

- Neither MA/JS nor controllers are checking this (only basis costs - staff costs);
  - It is only relevant for organization's internal checks which normally happen anyway before any control.

## **Quality case-by-case assessment & value for money!**

- Same principles for staff-heavy real costs projects;
- approach to quality of outputs – same for real costs and SCOs;
  - with real costs – each deliverable is seen as a separate item in the list of expenditures (easy to be removed as amount X from the list if irregular);
  - SCOs – bigger picture, quality of outputs (in case of irregularities, the item is removed and all costs linked to it, *including staff costs*).

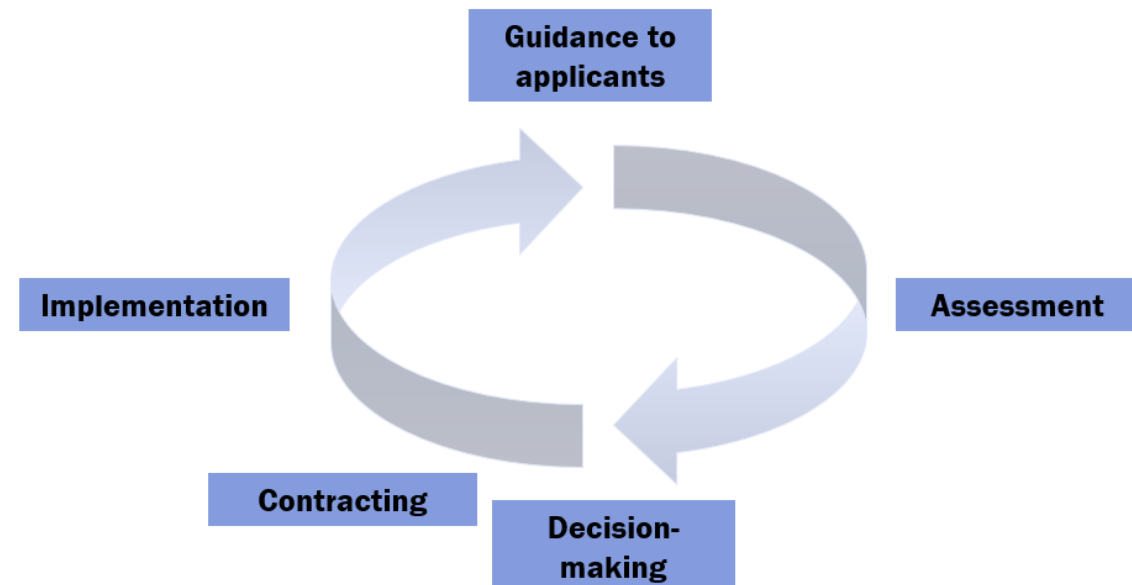
## **40% FR Trailblazers:**

- PEACE 2014-20 - The Children & Young People Programme
- Flanders - the Netherlands 2014-2020
- TN BSR 2021-27 – Small-scale projects
- TN NSR 2021-27 – Small-scale projects
- .....



# 40% FR considerations ...

Let's walk the FR through the project management cycle (PMC)



# PMC & 40% FR

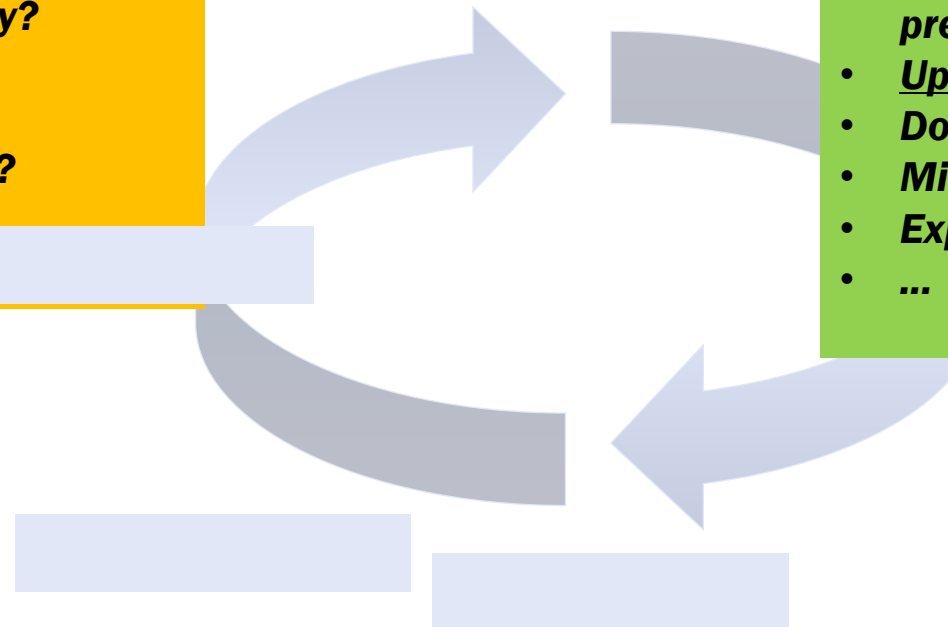
## Guidance to applicants

### Considerations:

- *When to recommend the method?*
- *How to present value for money?*
- *How to define outcomes?*
- *How to calculate the budget?*
- *Any additional manual needed?*
- *...;*

### Tips:

- *Reminder on eligibility rules!*
- *Need for 'clean' staff cost – errors in staff costs will lead to a reduction of the project's budget*
- *Targeted calls for proposals;*
- *Predefined expected outcomes of a call & precise definition of output(s);*
- *Up to 40% - programme level;*
- *Don't forget about equal treatment;*
- *Milestones;*
- *Expected types of other costs;*
- *...*



# PMC & 40% FR

## Guidance to applicants

<p>Selling points - why to use this SCO</p>	<ul style="list-style-type: none"><li>• Much less paperwork for every stakeholder</li><li>• The payment of funds will be faster</li><li>• Easy to check the reports</li><li>• Less mistake during management verification (control)</li><li>• Smoother implementation</li> <li>• Partners can focus on activities and results</li><li>• Less time spent on reporting/ one click reporting...</li><li>• FLC will not check underlying documents of costs</li><li>• Reimbursement could be bigger than actual costs</li></ul>
<p>Points of attention - important to know</p>	<ul style="list-style-type: none"><li>• Clear workplan</li><li>• Is it enough for implementing the activities?</li><li>• If the staff cost is lower, then it triggers that the 40% flat rate is less... </li><li>• More frequent contact with JS</li> <li>• Could not cover all actual staff costs</li></ul>
<p>Tricky parts? Is there anything else applicants need to know?</p>	<ul style="list-style-type: none"><li>• Ensure that Staff costs are eligible</li> <li>• ...Related to real spending, therefore due to delays of real spending, flat rate also could be less actual costs in specific reporting period</li><li>• Concept/ have to be explained to national control institutions outside Programm bodies ( State Control institutions)</li></ul>

# PMC & 40% FR

## Considerations:

- *How do you start the assessment of a project proposal?*
- *Where to look for relevant information?*
- *How to assess projects with SCOs?*
- *Are there any additional assessment guidelines needed?*
- *How to assess value for money?*
- *How to ...*

**If a programme opted for max off-the-shelf flat rates combinations, the total would be 30%, so the 40% flat rate puts in potential question only 10%**

e.g., Projects should be designed to achieve the target number of participants on the basis of an approximate cost of €5,000 per participant.

## Assessment

### Tips:

- **CHANGE OF MINDSET:** a bit less information as compared to budgets of partners with real costs
- **Assessment:** whether outputs X and Y worth the amount N?
- **Programme's (MC) decision** on whether to grant a certain amount for the delivery of outputs/ results
- **Programme (MC) can also grant a lower amount than requested** – "take it or leave it"
- **Staff costs per work package + 40% flat rate**
  
- **Assessment focus:**
  - whether or not the amount per WP is in line with the **role of the partner** in that WP
  - whether or not the combined budget of all partners for the given WP is in line with the **role/ importance of that WP** for reaching project objectives.
  
- **All projects using SCOs require a detailed description of outputs/results!**
- **Use benchmarks for outputs/results from similar previous projects to assess the value for money;**
- **Result-based financing (similar to lump sums);**
- **Limited expected type of other costs.**
  
- **NO to requests for a budget breakdowns, financial mock-ups, or calculations to assess whether the remaining costs are 40% of the staff or not!**

# Project partner budget with 40% flat rate

Staff	WP1 Management	WP2 Communication	WP3 Content	WP4 Content
Project manager (lead, 1fte)	90.000			
Junior manager (0.5fte)	10.000	55.000		60.000
Scientist (1.3fte)			120.000	45.000
<b>Total staff</b>	<b>100.000€</b>	<b>55.000€</b>	<b>120.000€</b>	<b>105.000€</b>
40% flat rate	40.000	22.000	48.000	42.000
<b>TOTAL</b>	<b>140.000€</b>	<b>77.000€</b>	<b>168.000€</b>	<b>147.000€</b>
<b>TOTAL PROJECT PARTNER BUDGET</b>				<b>532.000</b>

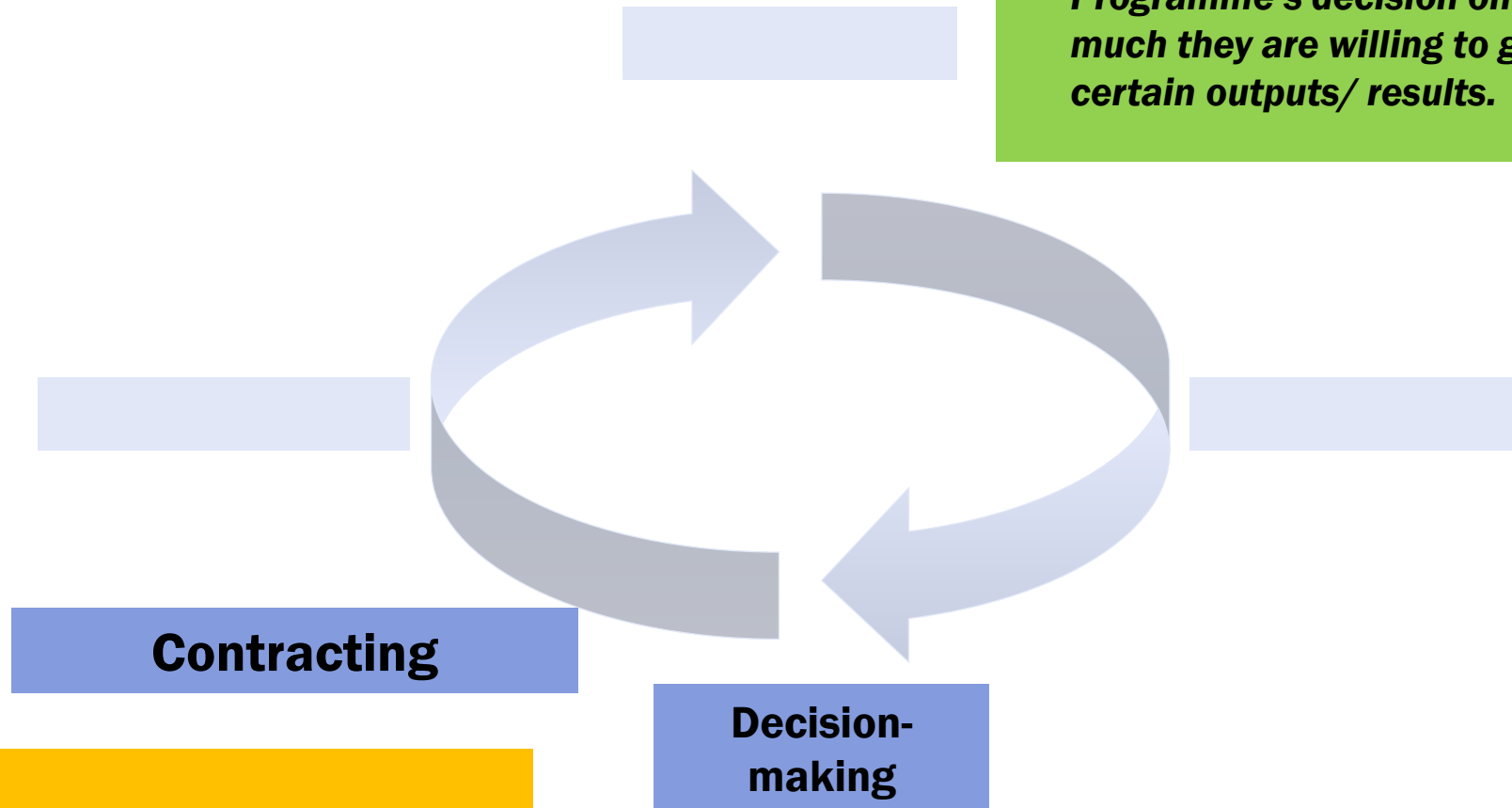
# Project budget – per work package

WP Overview	TOTAL
WP1 Management	390.000
WP2 Communication	200.000
WP3 Content	800.000
WP4 Content	200.000€
<b>TOTAL of the project</b>	<b>1.590.000€</b>

# PMC & 40% FR

## Tips:

- *Programme's decision on whether to grant/ how much they are willing to grant for the delivery of certain outputs/ results.*



## Considerations:

- *Are there any particular challenges?*

# PMC & 40% FR

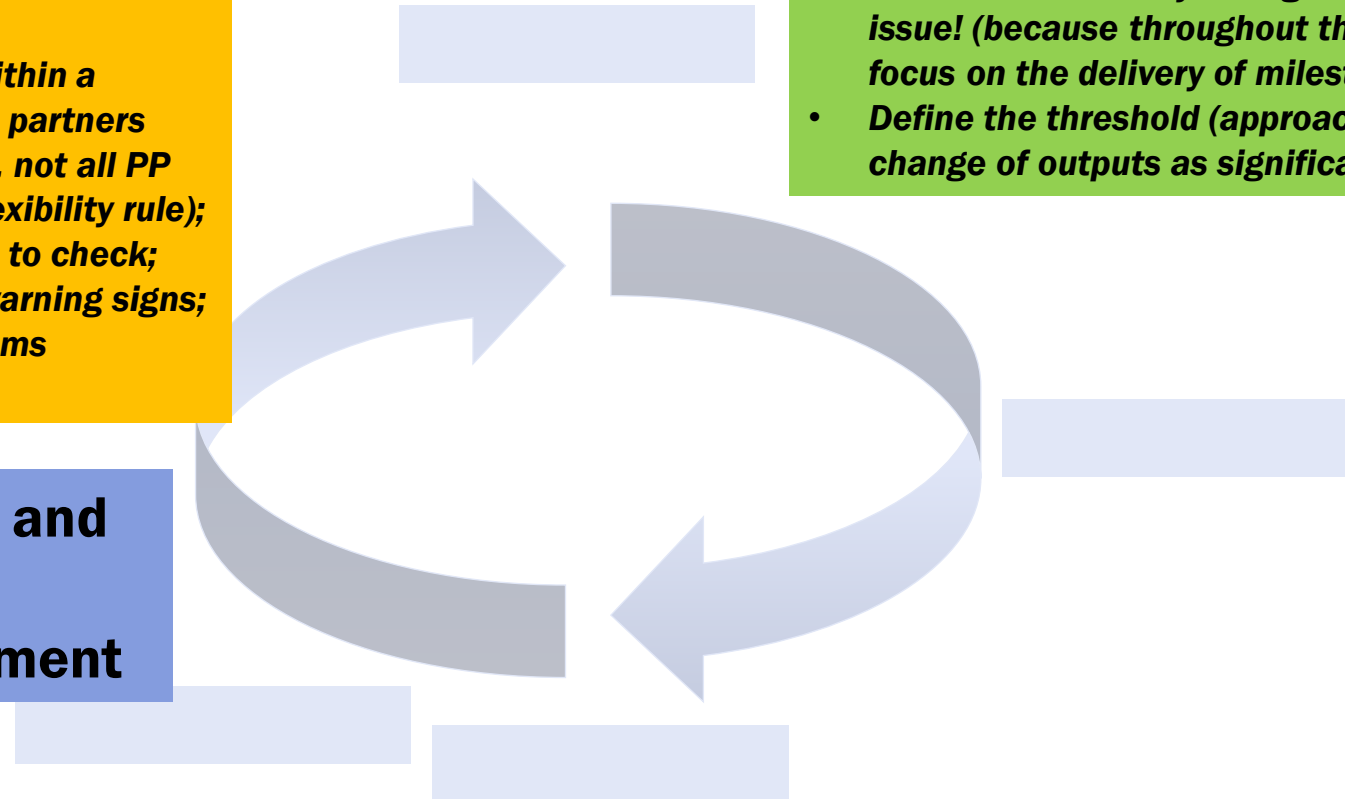
## Considerations

- *Project changes (limited scope within a partner's budget, changes among partners (different locations/prices range), not all PP choose 40%FR – programme's flexibility rule);*
- *Reporting: what to check and not to check; how to monitor, when to detect warning signs; how to deal with required minimums standards and quality?*

**Implementation and reporting;  
change management**

## Tips

- *Make clear that any change of the output is a critical issue! (because throughout the use of SCOs there is a focus on the delivery of milestones and outputs)*
- *Define the threshold (approach when you consider a change of outputs as significant/ critical)*



## Risks – Project changes

Example: Research intensive content, 3 years, project partner will implement with 2 FTE (full time equivalent)

Budget category	Partner budget
Staff	300.000€
Other (40% flat rate)	120.000€

Some time into the project, one staff member leaves, work has to be subcontracted (external expertise) until a new staff member can be recruited

Budget category	Partner budget (after changes)
Staff	200.000€
Other (40% flat rate)	80.000€

# PMC & 40% FR Verification

## Considerations

- *How to verify reports? How to verify staff costs?*
- *Can we request additional reports on costs incurred to prove the activities reported?*

## Tips

- *Put an emphasis on the quality of reports and quality of outputs/ milestones/ results reported by the project;*
- *Verification of the staff costs based on the method used (SCOs – known amount in advance, real costs reporting).*
- *No additional financial reports to justify activities reported should be requested!!! >>> gold plating! Only reporting of staff costs!!!*

**Reporting**



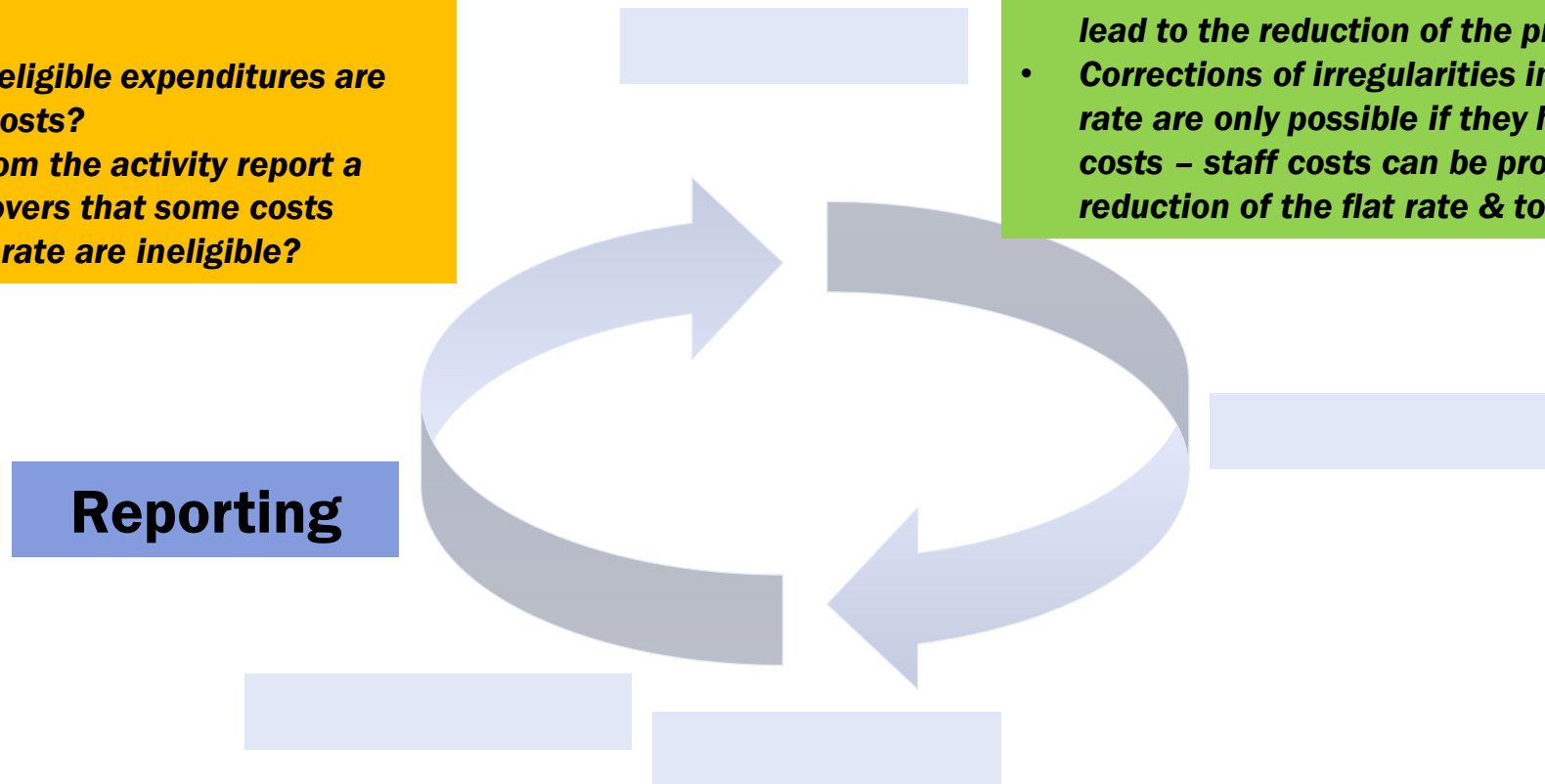
# PMC & 40% FR Irregularities?

## Considerations

- **What happens if ineligible expenditures are found in the staff costs?**
- **What happens if from the activity report a controller/ JS discovers that some costs covered by the flat rate are ineligible?**

## Tips

- **Make clear to beneficiaries that ineligible staff costs lead to the reduction of the project's total budget!**
- **Corrections of irregularities in costs covered by the flat rate are only possible if they have an effect on the staff costs – staff costs can be proportionally reduced >>> reduction of the flat rate & total budget.**



# From the LIFE Programme

## Risk of irregularities and fraud and costs of control

- Type of beneficiaries – non-profit/ public organisations;
- The granting authority will verify compliance with the conditions triggering the payment of the flat rate, including the implementation of the agreed work programme of the beneficiary, at various moments: at the time of preparation of the grant agreement, during the implementation of the action by monitoring visits, at the final payment stage and, for selected beneficiaries, also afterwards (through technical checks, reviews or audits).
- In addition, the beneficiary will need to justify the staff costs on which the flat rate is to be applied, and these staff costs can be checked ex-post by the granting authority



# From the LIFE Programme

## Principles of sound financial management, co-financing and absence of double-financing

- Methodology complies with principles of sound financial management;
- Flat rate of 50% is based on estimated budgets provided by applicants over a 7-year period;

The excessively high grant amount is mitigated by:

- There is a capping to the amount that can be requested and awarded, fixed in the financing decision (at the time of this authorisation request EUR 700 000 per financial year);
- The budgeted costs will be evaluated at the stage of the Specific Grant Agreement in comparison with the work programme proposed;
- Evaluations will confirm adequate personnel costs and value for money;
- The declared costs will be verified at the reporting time.

## From the LIFE Programme (cont.)

### Principles of sound financial management, co-financing and absence of double-financing

- The co-financing principle is complied with since the maximum EU contribution will be fixed ex-ante by taking into account the reimbursement rates (at the moment of this authorisation request up to 70% as provided for in Chapter I, Article 8, 2b. of the LIFE Regulation).
- The risk of double funding is addressed through consultation with the relevant services before signing the award decision and, later, through analytical reviews of the work performed by staff in view of detecting possible overlaps with other EU-financed activities.

# Questions



# Cooperation works

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All materials will be available on:

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

