



The banner features a background image of a rocky coastline with waves crashing against the shore. At the top left is the Interreg Central Baltic logo. To its right are the logos for Varsinais-Suomen liitto (Egentliga Finlands förbund / Regional Council of Southwest Finland) and the European Union European Regional Development Fund. The main title 'Workshop on eligibility of costs' is centered in a white box. Below it, in a smaller white box, is the text: 'Lead Partner Seminar', '5.4.2018, Turku', and 'Sanna Erkkö'. A large, semi-transparent 'Interreg' watermark is visible at the bottom of the banner.

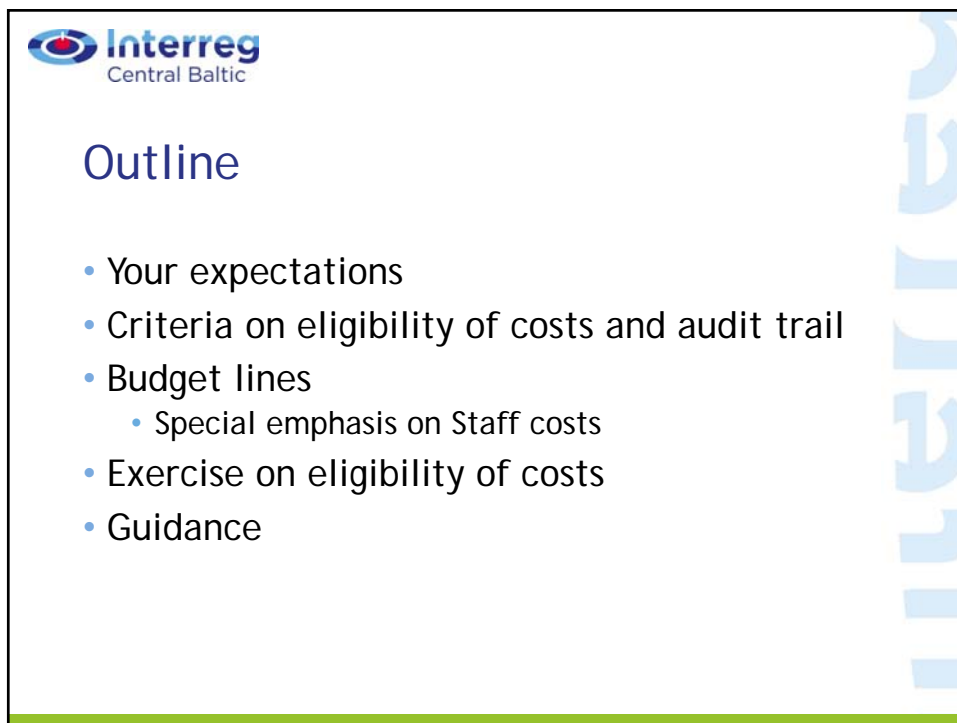
Interreg
Central Baltic

Varsinais-Suomen liitto
Egentliga Finlands förbund
Regional Council of Southwest Finland

European Union
European Regional
Development Fund

Workshop on eligibility of costs

Lead Partner Seminar
5.4.2018, Turku
Sanna Erkkö




The slide has a white background with a green horizontal bar at the bottom. The Interreg Central Baltic logo is in the top left corner. The title 'Outline' is in a large blue font. Below it is a bulleted list of topics. A large, semi-transparent 'Interreg' watermark is visible on the right side of the slide.

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Outline


- Your expectations
- Criteria on eligibility of costs and audit trail
- Budget lines
 - Special emphasis on Staff costs
- Exercise on eligibility of costs
- Guidance

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What do you expect from this workshop?

- Take a place in the line

My first project A few projects, not CB A few projects, also CB Several CB projects among others



- Write down 1-3 expectations
- Discuss with a colleague
- Share with all

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Criteria for eligibility of costs

What	Activity and/or expenditure is relevant, approved in AF
Who	Incurred, paid by project partner
When	During project duration



Audit trail

a chronological set of accounting records providing documentary evidence on sequence of steps undertaken by project to implement a project

- 4 years after the closure of the project
- state aid (including de minimis) 10 years from the date when granted



Budget lines

Staff Costs

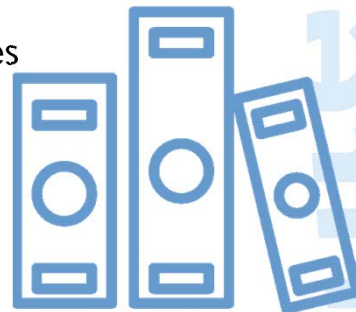
Office and Administration

Travel and Accommodation

External Expertise and Services

Equipment

Infrastructure and Works





Staff Costs

- Significant part of project budgets
- Basic definitions: employment document, gross employment cost, time recording
- Different options available



Staff Costs - definition of terms

- **Employment document** refers to employment contract, attachments of the contract or appointment decision setting up the conditions for the work (e.g. job description, working time, time to be used for project, and especially the method used to report staff costs)



Staff Costs - definition of terms

- **Gross employment cost** = the actually paid salary + employers contribution to social security (that is not reimbursed by any other sources for the employer) + holiday pay and allowance (if applicable) + taxable benefits in line with national & organisational practises - compensation from social security funds (if applicable, i.e. in case of sick leaves)



Staff Costs - definition of terms

- **"Based on real costs"** means that the Programme does not use flat rate for staff costs. It also means that when reporting, the calculation is always based on real costs.



Staff Costs - definition of terms

- **Time registration system** refers to an internal system, where the employee records his/her work time divided into specific tasks (e.g. different projects). A system that is used for recording hours in general is not enough.
- **Minimum requirements for time sheets:**
 - 100% of working time covered
 - Reference to project
 - Name of the employee
 - Name of the partner organisation
 - Month/year
 - Signatures (employee and the supervisor)



Staff Cost: different options

- **Full time**
- **Fixed %**
- **Flexible number of hours**
 - Monthly hourly rate
 - Annual hourly rate (1720 hours/year)
 - Hourly rate set in the contract

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Staff cost tool


- Obligatory for persons working part-time with flexible number of hours and calculating the hourly rate

2.1. Calculation basis of the hourly rate

The staff costs shall be calculated on the basis of

a monthly hourly rate
 an annual hourly rate (standard number of 1720 h)

- Available at <http://centralbaltic.eu/document-categories/implementation-phase>

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Staff cost tool

- Includes time sheets (optional)

2.2. Time registration system

Would you like to use the Programme timesheet template?

Yes, Programme templates will be used.
 No, own system for registering the working hours will be used.



Calculation of hourly rate & cost for the project: monthly hourly rate

Two steps:

1. the hourly rate calculated as the monthly gross employment cost/number of hours per month as fixed in the employment document
2. the above hourly rate is multiplied with the hours worked per month for the project from the time registration



Monthly hourly rate: example

- Gross employment cost per month 4.000 €
 - **Defined monthly work time in the employment document 152 h**
 - Working time for the project according to time registration 39 h in a specific month
1. hourly rate: $4.000 \text{ €} / 152 \text{ h} = 26,32 \text{ €/h}$
 2. cost for the project : $39 \text{ h} * 26,32 \text{ €/h} = 1.026,48 \text{ €}$

Staff cost tool: monthly hourly rate

Month/Year		Gross employment cost			Total	Monthly		Project-related	
[MM]	[Y]	salary	social security by employer	holiday allowance		working time [h]	hourly rate	hours [h]	staff costs
01	18	3.200,00	800,00		4.000,00	152,00	26,32	9,00	236,88
02	18	3.200,00	800,00		4.000,00	152,00	26,32	39,00	1.026,48
03	18	3.200,00	800,00		4.000,00	152,00	26,32	103,00	2.710,96
04	18	3.200,00	800,00		4.000,00	152,00	26,32	0,00	0,00
05	18	3.238,40	809,60		4.048,00	152,00	26,63	56,00	1.491,28
06	18	3.200,00	1.196,10	1.546,00	5.942,10	152,00	39,09	32,00	1.250,88
Total (Tool Tester)					25.990,10			239,00	6.716,48

Calculation of hourly rate & cost for the project: annual hourly rate

Two steps:

1. the hourly rate is calculated as the latest documented annual gross employment cost/1720 h
2. the above hourly rate is multiplied with the hours worked per month for the project from the time registration




Latest documented annual gross employment cost

- consecutive 12-month period counting back from the end of the reporting period
- if not available, the cost can be extrapolated based on existing information
 - the calculated documented annual gross employment cost should include all salary related costs that would occur during the year
 - FLC must approve the calculation



Annual hourly rate: example

- Latest documented annual gross employment cost 45.000 €
 - Working time for the project according to time registration
 - a) 43 h in a specific month
 - b) 242 for the reporting period
1. hourly rate: $45.000 \text{ €} / 1720 \text{ h} = 26,16 \text{ €/h}$
 2. cost for the project:
 - a) $43 \text{ h} * 26,16 \text{ €/h} = 1.124,88 \text{ €}$
 - b) $242 \text{ h} * 26,16 \text{ €/h} = 6.330,72 \text{ €}$



Staff cost tool: annual hourly rate


Please enter the number of hours in a decimal format e.g. 10.25 for 10 hours 15 minutes.

Total worked hours during the reporting period [h] 874,00

...of which, hours spent on project work (=amount for staff costs calculation) [h] 242,00

2.3. Calculation of eligible staff costs based on an annual hourly rate (standard number of 1720 hours)
 Please, fill in the latest **documented annual gross employment cost** (= 12 consecutive months counting back from the end of the reporting period). In case the data for 12 consecutive months is not available, the costs can be extrapolated based on existing information. This applies when reporting the cost first time. In the following reporting periods, please, fill in the same documented annual gross employment cost that you have already used.

	Amount
Latest documented annual gross employment costs:	45.000,00
Hourly rate (annual gross employment costs/1720):	26,16
Total hours spent on project work [h]:	242,00
Total project related staff costs of Tool Tester	6.330,72



Annual hourly rate

- Only calculated once
 - the same hourly rate applies through the whole project duration

Audit trail	Full time	Fixed %	Flexible number of hours		
			Annual hourly rate (1720 hours/year)	Monthly hourly rate	Hourly rate set in the contract
Employment / work contract or an appointment decision / contract considered as an employment document	✓	✓	✓	✓	✓
Job description providing information on responsibilities related to the project	✓	✓	✓	✓	✓
Payslips or other documents of equivalent probative value	✓	✓	✓	✓	✓
Data from the working time registration system, e.g. time sheets, providing information on the number of hours spent per month on the project	✗	✗	✓	✓	✓
Proof of payment of salaries and the employer's contribution	✓	✓	✓	✓	✓
Staff cost tool	✗	✗	✓	✓	✗



Budget lines

Staff Costs

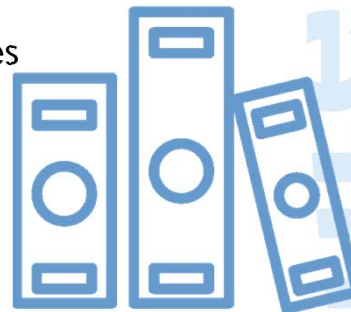
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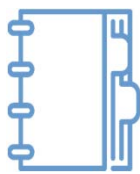


Office and Administration

- Flat rate
- No supporting document and no need for audit trail
- Closed list defined in the Manual



Travel and Accommodation



Agenda



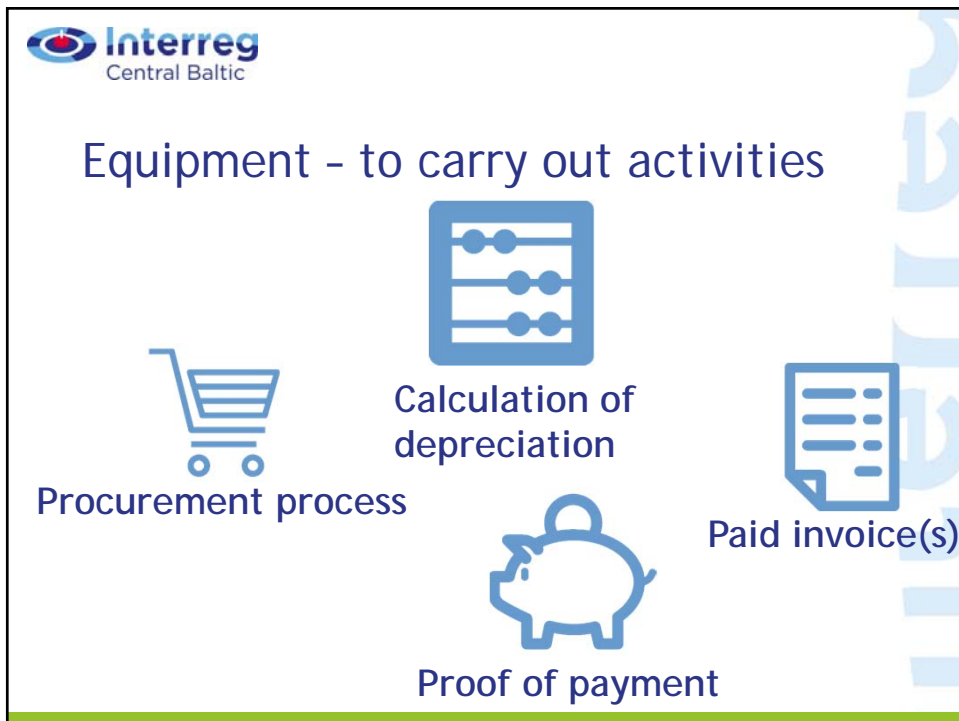
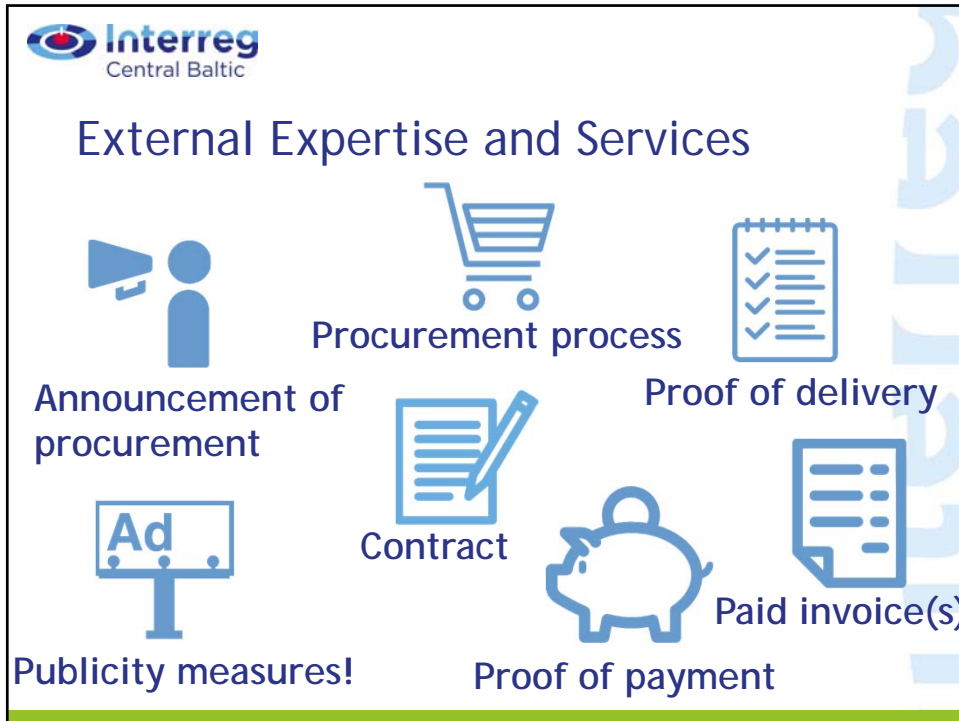
Paid invoice(s)

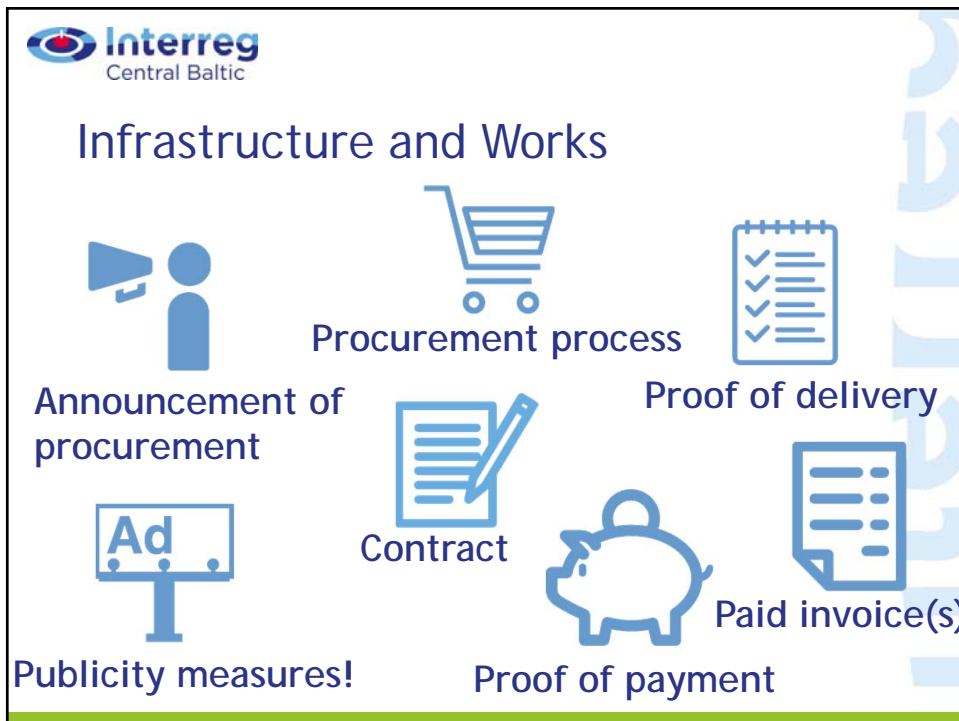
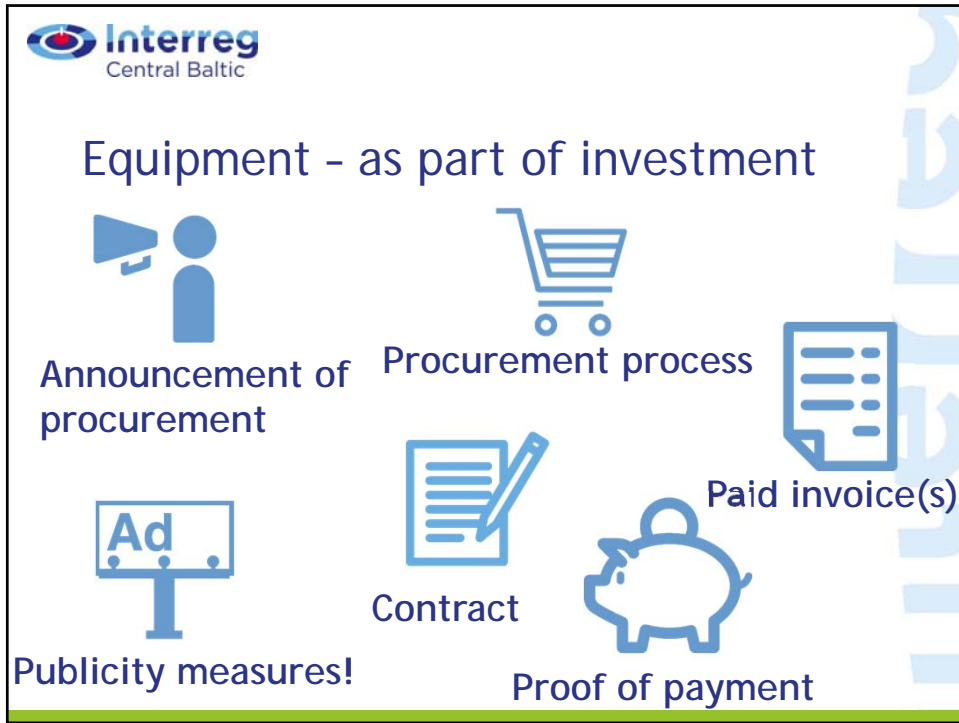


Daily allowances



Proof of payment







EXERCISE

One of your project partners asks ...

What is your answer and justification?

- Group A: questions 1, 6, 11
- Group B: questions 2, 7, 12
- Group C: questions 3, 8, 13
- Group D: questions 4, 9, 14
- Group E: questions 5, 10



1

When do we need to use the Staff cost tool?

You need to use the Staff cost tool when you work part-time with flexible number of hours and the hourly rate is not set in the contract but needs to be calculated for the project.

I'm working part-time for the project. We have our own time registration system that also calculates the cost to the project. Can we use that instead of the Staff cost tool?

If you are working part time with fixed %, you don't need to use the Staff cost tool as the cost for the project is calculated using the fixed %.

If you are working part time with flexible number of hours, you need to use the Staff cost tool to calculate the hourly rate and the cost to the project correctly. Own systems usually have different method to calculate the share of your salary cost.

We have an employee working 10% for the project. The employee has been working for us already 10 years, so her contract does not have any reference to this project, only projects in general. What documentation is needed so that we can report her salary for the project?

Appointment decision to justify that the employee is assigned to the project. In addition, job description is needed, if that is not part of the appointment decision. Either of those documents should also define the % for the project. Pay slips are also a part of supporting documents needed for reporting staff costs. Also proof of payment of the salary as well as the employer contributions to social security are required.

Instead of 1720 annual hours, can we use 1624 annual hours that is the annual work time according to the employment contract?

No. For the annual hourly rate method you can only use the standard number of 1720 hours.

The Staff cost tool and our internal calculation methods result to different sums. What should we report, meaning which sum is correct: the real cost that we have booked in the project cost center in our accounting or the sum in the Staff cost tool? What should we do with the difference?

You should report the sum from the Staff cost tool as the calculation methods in the Programme manual must be applied correctly. In case it is possible, it might be an idea to record the costs to the project cost centre according to the Staff cost tool.

It's is an internal matter how you deal with the difference. If the use of the Staff cost tool results to lower amount than the use of internal calculation methods, the difference is covered by your organisation. In case the use of the Staff cost tool results to higher amount, you just keep the difference. The difference should not be reported to the programme.

The salary is paid in the end of the month and social security payments are always paid 15th of next month. When should we report those?

As the social security payments relate to the actual salary payments, and are strictly regulated, those can be reported together with the actual salary payment on the months of the actual salary payment. However, the social security payments need to be visible in your accounting system for the month that those are reported and those will need to be paid before the FLC verification (to have proof of actual payment).

The salary is paid in the end of the month and social security payments are always paid 15th of next month. Do we need to report them separately? How should those be included in the Staff cost tool?

As the social security payments relate to the actual salary payments, and are strictly regulated, those can be reported together with the actual salary payment on the months of the actual salary payment. Note, that this is an exception to the payment date - requirement. In the Staff cost tool there is separate columns for salary and social security contributions by the employer. Usually there are several contributions, but those can be reported as a total sum.

We have an ex-colleague who could work for project as external expert for conducting a set of trainings. She was also actively involved in the project preparation when she was still working for us. Can we contract her directly based on her know knowledge and skills?

Unique skills are very seldom that unique. In that case, the decision must be documented in a detailed way to prove that the set of trainings couldn't have been bought from another person or organisation. Usually there are options available, therefore it is not recommended to refer to unique skills.

When and how do we need to do the price comparison?

If the total cost of the service / product is estimated to exceed 5.000 € during the project time, you need to make a price comparison and documented it properly. Usually, at least three comparable offers should be requested so that at least two offers can be received. In some cases, you can use the information available online (price lists etc.) and document this in the price comparison e.g. with print screens.

It is always advisable to have a small margin, if the total cost would in the end be more than planned. So in case you estimate the cost to be close to 5.000 €, it is for your own safety better to make a price comparison before the purchase.

Can we use the framework contract that exist in our organisation for translation services in the project? We need to translate the Guide and toolbox as defined in the Application form. But first we will need to translate the Partnership Agreement.

Yes, you can. Just add the framework contract as a supporting document for the invoice for the translation of the Guide and toolbox. However, translating Programme documents, such as partnership agreement is not eligible.

We are organising a joint training for 10 students from each participating country. Can we cover their travel and accommodation costs form the BL Travel and accommodation?

Yes you can. Just remember that you need to buy the tickets and pay for accommodation directly.

We are organising a study tour to Sweden for 3 representatives of local municipalities from each participating country. The costs would be plane tickets, accommodation and we also need to rent a bus to go from Stockholm to cities A and B. From which BL can we cover those costs?

The cost for plane ticket and accommodation should be reported under the budget line Travels, and you need to buy the tickets directly. The cost for transportation from Stockholm to cities A and B is regarded as external (transportation) service, so that cost should be reported under budget line External expertise and services.

Our credit card invoice is always paid in the month following the invoice (and activities). Our reporting period ends in May and the invoice is booked in May, but it is paid 15th of June. When should we report the costs?

You should report the costs in the reporting period it is actually paid out, so in this case in the reporting period that starts in June.

Can we use Swedish/Estonian/Latvian/Finnish in the List of Expenditure? Our financial officer does not have proper command of English and all our documents are also in the local language.

No, the List of Expenditure must be filled in using English. Even though FLC knows national language, LP and the JS does not necessarily know it. Both LP and JS need to understand what is reported. The invoices are naturally on the original language. If the financial officer does not have enough good command of English, another person will need to fill in the information in the List of Expenditure, at least the written parts, in English.

Guidance

- Guidance on Eligibility
 - Programme manual
 - Project contact person
 - Implementation Seminar
 - FAQ
- Guidance on reporting
 - Guide for project implementation (esp. Staff costs, Annexes 4-6)
 - Project contact person



In the partnership

- Involve & engage the finance persons of your partners, e.g. eligibility session at kick off, reporting workshop
- Be demanding: it's your project



Thank you!
And stay eligible!

