



INTERact

Sharing Expertise

How to maximize the benefits of simplification?

Flat rates for office and administration costs: an alternative methodology





Content:

1. Lab groups of finance staff in CBC, transnational, interregional and network ETC programmes (IP Viborg zone) - FUTURE
2. Three key problems identified in the current regulations and guidance document (COCOF 09/0025/00) on simplified cost options
3. Alternative methodology for implementation of flat rates for office and administration costs
4. Our objective and work plan



Lab group on FUTURE Financial management in ETC

Transnational, network and interregional

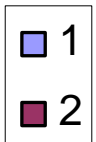
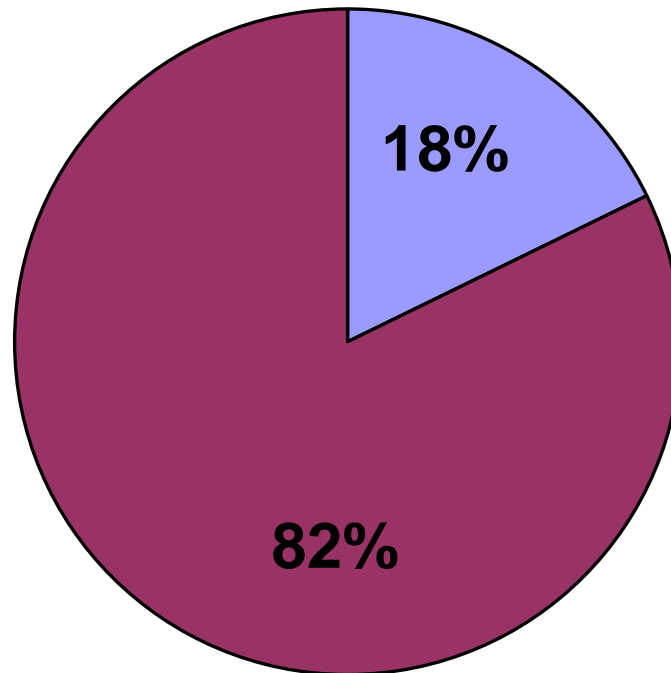
1. BSR
2. NWE
3. Central Europe
4. South East Europe
5. IVC
6. ESPON
7. URBACT

CBC

1. FR-UK-BE-NL
2. France-Wallonie-Flanders
3. BE-NL
4. SE-DK-NO
5. Germany-NL



ETC programmes involved in co-shaping the future





FUTURE: Where do you belong?

- Co-shaping the future
- Providing feedback on a concrete proposal
- Welcoming a ready product and implementing it



Shared approaches to most typical expenditure in ETC programmes

- Staff
- Office and administration
- External services and experts
- Meetings, travel and accommodation
- Investment and equipment
- Control
- Revenues
- Other



The following costs are eligible (EC 397/2009):

- Indirect costs, declared on a flat-rate basis, up to 20% of the direct costs of an operation
- Flat-rate costs calculated by application of standard scales of unit costs as defined by the MS
- Lump sums to cover all or part of the costs of an operation (up to EUR 50.000)

They must be established in advance on the basis of a fair, equitable and verifiable calculation.



Simplification complication 1: Multiple approaches to indirect costs declared on a flat rate basis of the direct costs

- *Eligibility rules are determined at national level (Art. 56 EC 1083/2006)*
- The declaration of indirect costs at flat rate at a rate to be set by national rules but inferior or equal to 20% of direct costs
 - MA states what rate is applied
 - MA states when the rate is 20% of direct costs and when it is less than 20%, whether the rate varies according to the type of operation, beneficiary, size of entities etc.



Simplification complication 2: Justification of the rate applied

- Indirect costs at flat rate of no more than 20% of direct costs
- Method established in advance must be:
 - Fair: Based on comparable historical data
 - Equitable: Not favouring certain beneficiaries
 - Verifiable: Full record of calculation method + possible to ensure that costs are not double-claimed as direct and indirect



Simplification complication 3: MA defines direct and indirect costs for each type of operation

- Direct/indirect as basis of calculation
- Very few programmes actually work on this logic: 'Overheads' actually refer to office and administration costs charged directly and indirectly
- It is not possible to define a complete and 'fair' list of indirect or direct costs: Any attempt to do so will create masses of new questions and reverse the simplification
- Direct/indirect is problematic. It is better to work on the basis of office and administration costs (regardless of how they are charged to the project in each case)



- Current logic is for each Member State to approve a system
- Multiple and potentially very different systems in every project. This is not a simplification
- The alternative is a simplification proposal: programme wide systems and preferably a Europe-wide system



- One flat rate for all ETC projects
- Based on a fixed percentage of staff costs to cover all office and administration costs
- This system is:
 - **Fair:** Would be based on a data comparison across programmes
 - **Equitable:** Differing cost levels in MSs should be reflected in salary levels (approximately)
 - **Verifiable:** The method would require only one approval, preferably by the regulation. Staff costs are much easier to check as a basis for the amount claimed



- What rate to set? A survey with a sufficient number of projects and programmes
- Need a good definition of staff costs and what can and cannot be included
- Keep the real costs option for some projects? E.g. voluntary organisations with very low staff costs (this can be a programme by programme decision)



- First idea for an alternative methodology:
 - Definition of staff costs and eligible cost components
 - Shared method for calculation of part-time staff costs
 - Overtime
 - Timesheets (standards template for ETC)
 - List of indicative documents related to staff costs available for FLC
 - Definition of office and administration costs and eligible cost components
 - What cannot be budgeted as staff costs
 - How to address costs of e.g. FLC which were previously reported under 'Office and Administration' (can be budgeted as external experts?)



- Research to analyse project budgets to determine the flat rate (10%-15%)
- Identify and try to explain significant differences between programmes/countries
- Try to get Audit Authority backing
- Is the Commission, MSs and AAs willing to consider the simplified simplification proposal?
- ETC EU wide working group - April 2011 to agree the final approach
- **Submit the proposal to Commission - Mid 2011**
- Look forward to a simplified INTERREG V 😊



- The system is approximately fair for all and precisely fair for nobody
- Projects may not be able to claim some small amounts - they should remember the administration and insecurity they are getting rid of
- A flat rate is a flat rate - Office and administration costs become a closed book



Control and audit questions

- Have the ceilings been respected?
- When financial correction and/or declaration of revenue changes basis for flat rate calculation, flat rate payment must also be adjusted (should be easy in automated systems)
- Control of staff costs becomes more important



Your thoughts?



Thank you

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