



I Financial Issues

Eligible Costs

Applicable for Sweden only.

All other Beneficiaries are referred to Fact Sheet No 2a.

Background

“Expenditure actually paid out” are the key words in terms of assessing the eligibility of expenditure under the Interreg IV B North Sea Programme. No expenditure can be reimbursed unless it is directly linked to the approved budget and based on invoices that have actually been paid. Activities that are not described in the approved application are as a general rule ineligible.

In cases where projects generate revenue, this revenue may not be treated as profit. All revenue generated from sales, rentals, subscriptions, fees or other equivalent sources must be reported on budget line 12 and must be deducted from the eligible costs.

In addition to these key principles, a number of more detailed rules apply when the eligibility of an expenditure is to be assessed.

Sub-contracting

Costs arising from sub-contracting are eligible. It is the Lead Beneficiary’s responsibility to ensure that public tender rules are observed and that contracts are awarded at normal market prices. The Lead Beneficiary must ensure that the public tenders process is duly documented.

Staff costs

Staff costs relating to projects are eligible under the North Sea Programme. In order to be eligible, staff costs must:

- Be additional (c.f. (EC) 1083/2006, Article 15 & 1828/2006, Article 50),
- Be based on timesheets and payslips, which permit the identification of real costs in relation to the project,
 - The time spent on the project must be documented by means of properly functioning time registration system (the one which allows for time registration by project, allows for descriptions of activities carried out and has a validation/verification mechanism for the superiors).
 - An example of a timesheet is attached. The time registration system should register at least the information, which is in the timesheet. Otherwise the timesheet must be used.
- Only in very exceptional cases can staff costs exceed 50% of the total eligible expenditure under the project,
- Unpaid voluntary work and other ‘in-kind’ contributions are eligible provided that their value can be determined based on the amount time spent and a standard rate for this time (c.f. Commission Regulation, 1828/2006, Article 51),

- Certified by an eligible controller.

Overheads

Overhead costs must be calculated on a **real-cost** basis or on the **average real costs** of an operation of the same type. Typically, overhead costs will consist of costs for office accommodation broken down on project level on a pro rata basis.

If an average rate is used, the rate cannot exceed 25% of the costs, which directly affect the level of the overhead. E.g. Staff costs. In such cases the calculations should be well documented and periodically reviewed (Commission Regulation 1828/2006 Article 52).

Control

All costs for project control are eligible costs. In some countries, interim claims can be controlled by an internal controller, in which cases the costs will be regarded as staff costs and entered under budget line 3, Permanent Staff. For most projects, also interim claims must be controlled by an external controller, in which cases control costs must be posted under budget line 9, Control. All control costs, for internal and external control, should be reported under budget line 'Control'.

Costs for the 1st level control of the Swedish Lead Beneficiaries and Beneficiaries should not be budgeted for as they will be paid by the Swedish National Authority.

Financial Charges

Charges for financial transactions are eligible but debit interest is not eligible.

VAT

VAT does not constitute eligible expenditure unless it is genuinely and definitively borne by the final beneficiary. VAT, which is recoverable by whatever means, cannot be considered eligible, even if it is not actually recovered by the final beneficiary. To ensure compliance with this rule it is required that this issue is addressed in the partnership agreement.

Purchases

Purchase of land for amount exceeding 10% of the total eligible costs for the individual project. In cases relating to environmental conservations a higher percentage can be allowed in exceptional cases.

Scrap-value (Breakup value) for equipment

Purchase of project related equipment (e.g. IT equipment) is considered eligible expenditure. However, if the equipment has a breakup value by the end of the project then it is only the difference between the purchase value and the breakup value which is considered eligible.

IT equipment, for example, purchased less than 3 years before the end of the project will normally have a break up value. This breakup value must therefore be deducted from the purchased costs unless it can be documented that project continues more than 3 years after the purchase of the equipment.

It must be emphasised that the principle of a "break up" value is intended for IT and similar equipment only. The principle does not apply for infrastructure investments in general.

References

- Commission Regulation (EC) 1828/2006, Article 48-53
- Commission Regulation (EC) 1080/2006 of the European parliament and of the council, Article 7 and Article 13
- Appendix 11 to the Manual for 1st level control, which provides and overview of the relevant national rules and guidance

