Guidance Note 8
Budget Lines and Eligibility rules

In order to budget for and claim expenditure from the France (Channel) England Programme projects must ensure that their expenditure is both planned/recorded under the correct Budget Line and is in accordance with the eligibility rules of the Budget Line as set out in this Guidance Note.

These rules are not designed to cause problems for Project Partners (PPs), the aim of the rules is to ensure that the Programme funds are spent in an effective way and achieves best value for money. In general, the Programme is aiming to make life as simple as possible for Partners.

All PPs need to be aware of these rules so that they **can avoid spending money in a way that is ineligible.**

In order to support Partners to comply with these rules the Programme will hold training sessions for all Partners in the Project to explain the Programme rules, and to answer any questions or concerns that Partners have. All Partners should attend these meetings in order to ensure that they fully understand the relevant rules and procedures.

The budget lines and rules set out below are derived from the European Regulations which set out the general eligibility rules and budget lines for ETC programmes[1]. Therefore, if Partners are familiar with another ETC programme then they will find many of these rules familiar to them. However, Partners should be aware that rules between programmes are not always identical and they should always consult this manual to ensure that their expenditure meets the requirements of the FCE Programme.

In addition, where Partners are subject to National Laws (for example, National Public Procurement Law for Public Bodies) they must comply with these rules as well, along with their normal internal financial rules.

Compliance with these rules will be monitored within the project partnership by the Lead partner (LP), and when projects submit their claim for reimbursement, through a process known as First Level Control. For more information on this process, please consult the Guidance Note 6 related to Project Implementation.

Important note: Every year the Certifying Authority (CA) has a window during which it does not make payments to project partners. This **non-payment window is from May 15 – June 30.**

This is the period at the end of the European Union's financial year during which the Audit Authority completes its year-end work relating to project expenditure.

[1] Commission Delegated Regulation (EU) No 481/2014 is the primary regulation relating to ETC expenditure. Where other regulations apply these will be noted in the footnotes.

I. General Principles of Eligibility

The general principles which apply to all expenditure claimed to the Programme are;

- The expenditure must be incurred carrying out activities set out in the Application Form and be necessary for carrying out these activities and achieving the project's outputs and results.
- Expenditure must be reasonable and justifiable (for example, does not include 1,000€ for pens that are normally 0.10€ each)
- The expenditure must be necessary for the project, and is not just expenditure that a Partner would incur as a part of their everyday activities
- Be accurately recorded with sufficient evidence to verify that the expenditure declared is real. The types of evidence required are described later in this document.
- Be incurred and paid by the Partner organisation between the project start date and the project end date (as project approved by the SSC) as set out in the Application Form.

If the expenditure is paid on the basis of a lump sum or flat rate the final two points do not apply.

1. Preparation costs

Preparation costs are the costs that a project incurs in order to develop the Project Application Form.

Under the France (Channel) England programme, the preparation costs of all projects which are approved will be reimbursed by a lump sum of 30 000€ per project. This will be paid to the LP, who shall be responsible for its division amongst PPs as appropriate.

This amount is not subject to checks to ensure the eligibility of expenditure as it is an approximation of the costs of establishing a project and does not require the PPs to provide evidence of their expenditure.

There is a restriction where a Partner has been approved to take part in the project under the General Block Exemption Regulation (Commission Regulation (EU) no. 651/2014), which is that a partner can only receive a share of this lump sum if this would not result in them exceeding the maximum public contribution allowed under the State Aid scheme. For example, if the scheme only allows the partner to receive funds at a co-financing rate of 50%, and the partner budget is calculated at the 50% rate, they may not receive a share of the lump sum as this would lead to an overall co-financing rate exceeding 50%. For further details please see the Guidance Note 11 on "State Aid."

2. Grant rate

Under the France (Channel) England Programme, the project activities are co-financed through the ERDF. This means that the Programme will pay a fixed percentage of the project costs and Partners will be required to fund the remainder from their own sources. Funds from Partners own sources are known as "Match Funding."

Each call will indicate the co-financing rate available for projects. This may vary from call to call so applicants are advised to check the call documents carefully before completing their budget. The sources of the Partners' own contribution can come from the Partners' own budget, or from other external sources.

Under certain State Aid exemptions, the co-financing rate for a project or individual Partner may be restricted, so the overall Partnership may receive a lower co-financing rate. Please see the Guidance Note 11 on “State Aid” for more information.

It is not possible to receive an advance payment from the ERDF under the France (Channel) England programme. This means that each project has to finance its activities until it submits a financial claim which is subsequently assessed for approval. The Programme then reimburses to the LP the co-financed share of the total eligible expenditure declared by each Partner. The LP will then distribute the co-financing among the remaining Partners in accordance with the Partnership Agreement.[2]

PPs therefore need to set aside sufficient liquidity to cover their expenses between project initiation and the first payment, and to cover their expenses in between claims.

Please consult the Guidance Note 6 on “Project Implementation” for more detail on the payment claims process, and the likely timescales for reimbursement.

3. Eligibility period

Expenditure claimed by a project must have been incurred and paid between the Project start and end date. The Project start date will be the date the project is approved by the Project Selection Sub-Committee.

All costs incurred prior to the project start date are considered to have been covered by the lump sum payment for project development and therefore may not be claimed in any later project claims.

In order to avoid losses due to amounts not leaving the Partners’ bank accounts until after the end of the project, it is recommended that Partners plan to close project activities 3 months before the official project end date in order to ensure that they can claim the costs linked to project closure.

The final date for which the programme will accept project expenditure is the 30th of June 2023, therefore Partners must ensure that their project is completed and closed by this date.

For each claim period, expenditure can only be claimed if it was defrayed before the end of the claim period. If the expenditure has not been paid out before the end of the claim period, then the item will need to be claimed in the following claim period.

A specific exemption will be made for staff costs. If the on-cost for the staff member is paid in a subsequent month (for example in the UK National Insurance and PAYE payments to HMRC are paid a month in arrears) then this may be claimed in the period for which the rest of the staff cost is claimed, provided it is paid out before the Payment Claim is paid to the PP.

4. Shared costs

Shared costs are costs where more than one Partner makes a payment towards a particular expenditure (such as the purchase of an expensive item of equipment). General experience from previous INTERREG Programmes has shown that it is better for PPs to share tasks and not costs.

However, if it is necessary for Partners to share costs, the Programme will allow a form of cost sharing known as the, “contracting Partner only principle.”

This means that:

[2] Article 13(3) of Regulation (EU) No 1299/2013

- the contracting Partner is the only one that budgets, actually pays and reports the 100% cost item of joint benefit and receives the related support from the Programme,
- the partnership can internally decide to share the cost of match funding the expenditure. The other Partners make a cash payment to the contracting Partner to support this cost. These payments from the other Partners are considered external match funding for the contracting Partner and should be treated as such in the Project Application and the Financial Claims.

5. Contributions in kind

An in-kind contribution is a donation of works, goods, services, land for which no cash payment has been made by a PP. This can be considered as eligible expenditure as part of the match funding for the Partner, provided it meets various conditions.

For further information please see the Guidance Note 9 on “In-Kind Contributions.”

6. Revenues

Projects must be aware that revenues generated during the project lifetime, and in some cases after the project completes, must be deducted from the eligible expenditure of the project. There are different rules for this depending on how a project is categorised so projects which have the potential to generate revenue must consult the Guidance Note 10 on “Revenues.”

7. Public procurement

During the implementation of a project, virtually all projects buy goods and services externally: for instance, external auditors are hired to carry out the First Level Control, a project and finance manager is hired to assist the LP with the organisational and administrative aspects of project implementation, catering and technical equipment for conferences and meetings is ordered.

Whenever purchases are made and contracts are awarded to external suppliers, **the relevant procurement rules must be observed.**

Further information is available in the Guidance Note 6 on “Project Implementation.”

Projects which cannot prove the award of contracts in compliance with public procurement rules risk having expenditure ruled ineligible. In order to avoid this, all staff within a project who will make procurements on behalf of the project should ensure that they are familiar with the relevant procurement rules.

II. Specific Budget Line Rules

Project Expenditure under the France (Channel) England programme is divided into six categories. These categories are;

A. Staff;
B. Office and administration;
C. Travel and accommodation;

D. External expertise and services;
E. Equipment;
F. Infrastructure and construction works.

For each Budget Line, a description of the expenditure that falls under the Budget Line is provided. There is also guidance on how the expenditure is to be calculated, and the evidence that needs to be provided in order to claim the evidence.

A. Staff costs[3] (Budget Line 1 – BL1)

Definition

Staff costs covers the cost of staff working full time or part time on the implementation of the project. To be considered as staff, a person must be employed by the partner organisation. This includes a person working for the beneficiary under a contract other than an employment/work contract.

Staff costs consist of the Partner Organisation's gross employment costs, which are made up of the following:

- Salary payments (fixed in an employment/work contract)
- Other costs directly linked to salary payments paid and not recoverable by the employer, where these payments are fixed either in the employment contract or required by law. These payments must also be irrecoverable by the employer (Examples include social security contributions, pension contributions, and employment taxes.)

Other costs related to employing staff (such as payroll, providing Office space and equipment etc.) may not be included under this Budget Line and fall under the Office and Administration Budget Line.

The following options for calculating staff costs are available in this Programme:

1. Staff costs calculated as 20 % flat rate of direct costs other than staff costs[4]
2. Staff costs calculated on a real cost basis

Each Partner Organisation must choose one of these options and indicate the choice in the Application Form. The chosen option will apply to all staff members of the Partner Organisation working on the project, and it will apply for the entire project duration.

Important Note: Staff costs paid through the government furlough scheme in both France and the UK are not eligible for reimbursement by the France Channel England Programme. Therefore, these costs should not be claimed by projects as they constitute double funding and will be rejected by the programme.

French paid staff

The bonus named "prime exceptionnelle" on the payslip is not eligible.

[3] Article 3 of Delegated Regulation (EU) No 481/2014
[4] Article 19 of Regulation (EU) No.1299/2013

Extraordinary bonuses/ primes cannot be paid to an individual specifically for work carried out as part of an Interreg project.

Some other bonuses can be eligible if they are set out in the contract of employment/convention collective/ or the internal rules of the organisation.

For public administration, we can consider that décrets (decrees)/ délibérations are sufficient proof for the eligibility of the bonuses. This should be signed, dated and stamped by the relevant administration. The PP needs to be able to justify the amounts of the bonuses/primes.

In the following sections more details and information on the different options are provided.

Method 1. Staff costs calculated as 20 % flat rate of direct costs

For this option the calculation of staff costs is based on a flat rate of 20% of the direct costs other than the staff costs.

The eligible amount for staff cost is equal to 20% of the total eligible amount under all the other budget lines excluding office and administrative expenditure. No further calculation is required.

Example: Project X – Partner Y calculates staff costs using the 20% flat rate option:

A	Travel and accommodation...........10,000€ External expertise and services.....20,000€ Equipment.......................................30,000€	60,000€
B	Staff Cost at flat rate	20%
C	Eligible staff costs (A * B)	12,000€

Supporting documents needed to allow the expenditure to be verified.

Employment contracts will be required as evidence that staff costs have been incurred in order to claim expenditure using this method. The check on the claim will consist of checking that the calculation is correct, and that no expenditure related to staff costs has been included in any other budget line.

Method 2. Staff costs calculated on a real cost basis

Using this method, the project will claim the actual costs they have incurred from employing staff who work on the project.

There are four ways of calculating the actual cost to the employer, each of which depend on the working arrangements for the individual working on the project. As these relate to individuals, it is possible to have various staff working under different arrangements within the same project.

a. Person employed by the Partner organisation, and working fully on the project;

b. Person employed by the Partner organisation, working partly for the project **on a fixed percentage;**
c. Person employed by the Partner organisation, working partly for the project **on a flexible percentage.**
d. Person employed by the Partner organisation, who does not have a fixed number of hours and is paid at an hourly rate.

For each of these situations, a specific methodology of calculation shall be followed. These are set out below.

a) Person employed by the Partner organisation, and spending all their working hours on the project

Staff costs shall be calculated as follows:

- The employee's total gross employment cost (incl. employment taxes) can be claimed.
- The employer shall issue a document for each employee setting out that 100% of their time is to be spent on the project. (Either as part of the Employment contract, or in a Mission Letter or similar document)
- No separate time recording system is required (timesheets)

Example

A	Total monthly employment costs (gross salary and employment taxes)	5,000 €
B	Percentage of time worked monthly on the project	100%
C	Eligible costs: (A * B)	5,000 €

Supporting documents needed to allow the expenditure to be verified.
The following documents have to be provided to the first level controller to demonstrate the eligibility of the costs:

- Working contract or any other equivalent legal agreement that allows for the identification of the employment relationship between the employee and the Partner's organisation;
- A document clearly showing that the employee works 100% of the time on the project (this could be the working contract and/or any other document issued by the employer like a 'mission letter');
- Document identifying the real employment costs (gross salary and employment taxes) for the employee such as pay slips or other accounting documents where the employment costs are clearly detectable;
- Proof of payment (e.g. bank statements, BACS reports, or outputs from accounting system).

b) Person employed by the Partner organisation, working partly on the project at a fixed percentage of their time

Staff costs shall be calculated as follows:

- The fixed percentage of the gross employment cost (incl. employer's charges), in line with the fixed percentage of time worked on the project;
- No separate time recording system (timesheet) is required.

Example

A	Total monthly employment costs (gross salary and employment taxes)	5, 000 €

B	Fixed percentage of time worked monthly on the project	60%
C	Eligible costs: (A * B)	3,000 €

Supporting documents needed to allow the expenditure to be verified.

The following documents have to be provided to the first level controller to demonstrate the eligibility of the costs:

- Working contract or any other equivalent legal agreement that allows for the identification of the employment relationship between the employee and the Partner's organisation;
- A document clearly showing that the employee works a fixed percentage of the time on the project (this could be the working contract and/or any other document issued by the employer like a 'mission letter');
- Document identifying the real employment costs (gross salary and employment taxes) for the employee such as pay slips or other accounting documents where the employment costs are clearly detectable;
- Proof of payment (for example, bank statements, BACS reports, or outputs from accounting system).

c) Person employed by the Partner organisation, working partly on the project with a variable number of hours spent on the project

If an individual does not work a fixed number of hours on the project, then it is necessary to calculate an hourly rate for that individual. The Partner will then be reimbursed on the basis of the number of hours worked on the project, multiplied by an hourly rate.

To evidence the working time: a time recording system must be in place recording 100% of the employee's time. This should include the total number of hours spent working on the project and the time spent working on other activities. A template is available on the programme website.

The Hourly rate shall be calculated by dividing the latest documented Gross Annual Employment costs by 1720.[5] This number cannot be varied for full time staff: gross annual employment costs must be divided by 1720.

For part-time staff the figure 1720 can be altered in proportion to the amount of time the employee works for the organisation.

The latest documented Gross Annual Employment costs must relate to any continuous 12 months period of which the end date is prior to the end date of the Reporting Period. For instance, the 12 months immediately preceding the end of reporting period, or the last calendar year before the end of the reporting period etc. (see example below).

If a staff member has not been employed for a full 12 months before the end of the reporting period, the Gross Annual Employment costs can be extrapolated on the basis of the months available provided that the staff member has been employed at least 3 months by the organisation.

[5] Article 68(2) of Regulation (EU) No 1303/2013

Updates to latest documented Gross Annual Employment costs used during claims are permitted **no more than once per year**. It is important to note that only 1 hourly rate will be permitted per claim period.

Example:
Project Approval: 30/01/2018
Project Reporting Period 1 End: 10/12/2018
The latest documented Gross Annual Employment Costs covering: 11/2017 to 11/2018

A	Total Annual Employment Cost (full time)	40,000€
B	Hourly rate: 40,000€/1720	€23.25
C	Hours worked in the Month	100
D	Eligible costs for the month: (B * C)	2,325 €

Project Reporting Period 3 End: 10/12/2019
The latest documented Gross Annual Employment Costs covering: 11/2018 to 11/2019

A	Total Annual Employment Cost (full time)	41,000€
B	Hourly rate: 41,000€/1720	€23.84
C	Hours worked in the Month	100
D	Eligible costs for the month: (B * C)	2,384 €

Supporting documents needed to allow the expenditure to be verified.

The following documents have to be provided to the first level controller to demonstrate the eligibility of the costs:

- Document that permits the identification of the employment relationship with the Partner's organisation: working contract or any other equivalent legal agreement;
- Document identifying the latest documented Gross annual employment costs (gross salary and employment taxes) for the employee, such as pay slips or other accounting documents where the employment costs are clearly detectable;
- Proof of payment (e.g. bank statements, BACS reports, or outputs from accounting system);
- Document explaining the calculation of the hourly rate;
- A time recording system which covers 100% of the working time of the employee (such as a timesheet or equivalent time recording system). This must identify both the time spent on the project and the work carried out on other activities.

d) An individual who works at an hourly rate and does not have a fixed number of hours

Where an individual works on an hourly basis, then the Partner will be reimbursed on the basis of the number of hours worked on the project multiplied by the hourly rate agreed in the employment (or equivalent) document.

Under this arrangement a Time Recording system recording 100% of the time of the employee must be in place.

Supporting documents needed to allow the expenditure to be verified.

The following documents have to be provided to the first level controller to demonstrate the eligibility of the costs;

- Document that permits the identification of the relationship with the Partner's organisation: working contract or any other equivalent legal agreement, including the hourly rate for the individual;
- Proof of payment (e.g. bank statements, BACS reports, or outputs from accounting system);
- A time recording system which covers 100% of the working time of the employee (such as a timesheet or equivalent time recording system). This must identify both the time spent on the project and the work carried out on other activities.

B. Office and administrative expenditure[6] (Budget Line 2 – BL2)

Definition

Office and administrative costs cover general administrative expenses of the Partner organisation necessary for the delivery of project activities.

Office and Administration Expenditure includes the following types of expenditure;

- Office rent;
- Insurance and taxes related to the buildings where the staff are located and to the equipment of the office (e.g. fire, theft insurances);
- Utilities (e.g. electricity, heating, water);
- Office supplies (e.g. stationary like paper, pens etc.);
- General accounting provided inside the beneficiary organisation;
- Archives;
- Maintenance, cleaning and repairs;
- Security;
- IT systems (e.g. administration and management of office hard- and software);
- Communication (e.g. telephone, fax, internet, postal services, business cards);
- Bank charges for opening and administering the account or accounts where the implementation of an operation requires a separate account to be opened;
- Charges for transnational financial transactions.

IT systems that support the implementation of the project rather than forming a part of the project activities should be treated as Office and Administration Expenditure. This therefore covers all the normal systems and infrastructure required for the running of an office, such as Microsoft Office or other word processing and email systems, accounting software and payroll software.

[6] Article 4 of Delegated Regulation (EU) No 481/2014

In the FCE Programme, office and administrative expenditure are to be budgeted and reported as a flat rate of 15% of each Partner's eligible staff costs[7]. All the listed items of expenditure will be treated as being paid by this 15% and may not be claimed under other Budget Lines.

No detailed budget has to be planned for the budget line 'office and administrative expenditure', the Application Form will automatically calculate a budget corresponding to 15% of the planned staff costs for each Partner.

When it comes to reporting office and administrative expenditure, the flat rate of 15% is automatically applied to the actually eligible reported staff costs of each PP.

Example

A	Eligible reported staff costs	EUR 36,000
B	Flat rate for office and administrative expenditures	15%
C	Eligible reported office and administrative expenditures (automatic reporting without proof of actual costs) (A*B)	EUR 5,400

Supporting documents needed to allow the expenditure to be verified.

PPs do not need to provide any justification or supporting documents. PPs thus also do not need to document that the expenditure has been incurred and paid or that the flat rate corresponds to the reality. The FLC will check that the calculation is correct, and that no expenditure related to the office and administrative budget line is included in any other budget line.

Points of attention

- Where a contract with an external provider includes administration charges, these costs should be included in the budget that the external provider's costs are claimed under as they are a part of the contract.
- If a PP chooses the 20% flat rate for staff costs, the method for calculating the office and administrative expenditure would be:
    - The 20% of the expenditure reported in the budget lines relating to direct costs is used as a base;
    - From this base, 15% may be claimed as office and administrative costs.

Example

A	Total eligible amount declared by the Partner under all the other budget lines (excl. office and administrative expenditure)	100,000 €
B	Staff costs flat rate	20%
C	Eligible staff costs (A * B)	20,000 €
D	Flat rate for office and administrative expenditures	15%
E	Eligible reported office and administrative expenditures (automatic reporting without proof of actual costs) (B*C)	EUR 3,000

[7] Article 68(1)(b) of Regulation (EU) No 1303/2013

C. Travel and accommodation[8] (Budget Line 3 – BL3)

Definition

This budget line covers the travel and accommodation costs of the project. Where travel costs are incurred by an external expert or service provider then these costs will fall under the External Expertise and Service budget line.

Travel and Accommodation costs may be claimed for the following categories of persons:

1. Staff of the PPs;
2. Persons travelling to attend interviews for posts advertised by the partners related to the implementation of the project;
3. Members of the projects target group when this is clearly in the interest of cooperation and provided that this expenditure is identified at the application stage and it is necessary for carrying out the project.

Travel and accommodation costs covers the following:

1. Travel (e.g. tickets, travel insurance, fuel, car mileage, tolls, parking fees, and mileage rates);
2. Meals;
3. Overnight Accommodation;
4. Visa;
5. Daily allowances.

The following rules will apply to Travel and Accommodation expenditure:

Costs for Subsistence and Accommodation may not exceed the European Commission's maximum rate for hotel and daily subsistence allowance. These rates will be made available on the Programme website.

As of Jan 2015;

- For the UK, the maximum rate is €175 for a hotel and €101 for subsistence;
- For France, the maximum rate is €150 for a hotel and €95 for subsistence.

As of March 2018;

- For the UK, the maximum rate is €209 for a hotel and €125 for subsistence;
- For France, the maximum rate is €180 for a hotel and €102 for subsistence.

The subsistence rate includes the costs for local transport, such as buses, taxis, trams and metro etc. For latest travel rates figures refer to "Travel rates update" on the Programme website, under useful documents.

Anything listed in points (1) to (4) covered by a daily allowance paid to the member of staff may not be claimed. In these situations, only the daily allowance may be claimed.

Costs must be borne by the Partner organisation. Where the costs under this budget line are first paid by an employee and then claimed back from the Partner organisation, there must be proof of reimbursement from the employer to the employee in order to claim the expenditure.

8 Article 5 of Delegated Regulation (EU) No 481/2014

Booking fees and other costs associated with the use of travel agencies etc. will be considered a part of the cost of the travel and accommodation.

Real costs and daily allowances must be in line with the specific national or institutional rules applicable to Partner organisation. In the absence of national or internal rules daily allowances may not be claimed, instead only the actual costs of the travel may be claimed.

Cancelled trips

The general principle of eligibility is that activities are required to take place for costs to be eligible. However, in exceptional cases, travel costs may be considered eligible. These exceptions will only cover cases when the journey was cancelled due to unforeseen circumstances or an extraordinary event beyond the control of the beneficiary, e.g. illness, strike, volcanic eruption, or other force majeure.

The 2 following conditions will need to be met and demonstrated:

1. the journey was cancelled due to unforeseen circumstances or an extraordinary event beyond the control of the beneficiary, e.g. in case of staff illness it was not possible to send someone else;
2. all reasonable steps were taken to recover the cost incurred (with proof of non-refundable policy on a case by case situation).

Trips outside the Programme Area

Provided that they meet the normal requirements of Travel and Accommodation trips taken inside the Programme Area will not have any special requirements. However, there are restrictions on Travel and Accommodation costs that relate to trips outside the Programme Area.

Unless one of the three following requirements are met, they will not be considered eligible

- Trips to places outside the Programme Area are eligible if they are explicitly mentioned and justified in the Application Form;
- If trips outside the Programme Area that are not foreseen in the Application Form are required, **a specific request needs to be submitted by the LP to the JS for validation in advance.** A request template is available on the Programme website;
- The travel is for a project partner meeting in **Paris or London.** For example, a trip for a project monitoring committee meeting taking place in London or for a partner to meet with other stakeholders, does not require a validation in advance by the JS. However, conferences and similar events are not considered project partner meetings, so for these cases a request must be submitted to the JS. The reason why one of these cities outside the Programme Area was chosen for a meeting should be explained by the LP in the relevant Project Report (e.g. easy logistical arrangements, lower costs, etc.).

For clarity, these restrictions do not apply to trips that begin and end in the Programme Area, but for logistical reasons require travel outside of the Programme Area (for example, a Train journey from Norwich to Amiens that passes through London will not be regarded as travel outside of the Programme Area).

Supporting documents needed to allow the expenditure to be verified.

The Project Partner should provide sufficient supporting evidence to the FLC which shows the claimant did attend the said occasion/event which was relevant to the project and the expenditure was incurred and paid. Not all events are formal in nature, so a judgement has to be made on the practicality of providing sufficient and compelling evidence to assure the FLC on the eligibility of expenditure being claimed. The extent of supporting evidence would therefore vary and may include these or other equally compelling evidence:

- Agenda (or similar) of the meeting/seminar/conference;
- Documents proving that the journey took place (boarding passes, train/ferry tickets etc.);
- Evidence that the meeting took place (minutes with attendees listed or separate attendance list. In the absence of a formal attendance list any e-mail exchanges about the meeting);
- Paid invoices (including hotel bills, transportation tickets, etc.) and, if applicable, the employee's expense claim with a proof of reimbursement by the employer to the employee;
- Daily allowance claims (if applicable), including proof of reimbursement by the employer to the employee;
- A document which sets out the rules of the organisation for employee allowances and for travel and subsistence claims (where applicable)

D. External expertise and services[9] (Budget Line 4 – BL4)

Definition

External expertise and services costs are the costs of providers who are external to the project who carry out work for the project in the following fields;

- Studies or surveys (e.g. evaluations, strategies, Concept Notes, design plans, handbooks);
- Training;
- Translations;
- IT systems and website development, modifications and updates;
- Promotion, communication, publicity or information linked to a project or to a cooperation programme;
- Financial management;
- Services related to the organisation and implementation of events or meetings (including room hire, catering or interpretation);
- Participation in events (e.g. registration fees);
- Legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;
- Intellectual property rights (Further explanation at the end of this Guidance Note);
- External First Level Control costs
- The provision of guarantees by a bank or other financial institution where required by EU or national law or in a programming document adopted by the Programme Monitoring Committee;
- Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers (Travel costs of individual attendees may not be claimed);

[9] Article 6 of Delegated Regulation (EU) No 481/2014

- Other specific expertise and services needed for operations.

It is important for PPs to remember that they cannot contract one another in order to deliver the project activities. The "External" refers to the fact that the providers of the expertise or service are external to the Project. If a Partner is carrying out the activity then they should record this and include it in their own claims, rather than charging another Partner in order for them to claim it from the Programme.
IT Systems and website development, modifications and updates, where this is carried out by an external provider should be claimed as External Expertise. The rationale is that it is the development or modification, which is a service, is provided by a company or individual.

In-kind contributions are eligible under this budget line, provided that the requirements are fulfilled. Please consult the Guidance Note 9 on "In-kind contributions."

Costs of first level control shall be budgeted under this budget line if the first level control is provided by an external company or organisation.

As External Expertise and Service costs will by their very nature require a procurement, when engaging external experts or services for the project, Partners should ensure that they are familiar with and follow the Guidance Note 6 on "Project Implementation."

Supporting documents needed to allow the expenditure to be verified.

The following documents must be available for control purposes:
- Procurement Evidence (see Guidance Note 6 on "Project Implementation.")
- A contract or other written agreements of equivalent probative value laying down the services to be provided with a clear link to the project, or an invoice or a request for reimbursement providing all relevant information in line with the applicable accountancy rules;
- Proof of payment;
- Outputs of the work of external experts or service deliverables.

Points of attention
- Advance payments by Partners to suppliers will only be accepted if they are supported by an invoice or another document of probative value. The corresponding activity must have taken place by the end date of the project at the latest.
- Where PPs use an external company for arranging the travel and accommodation of their own staff members (e.g. travel agencies, etc.) these costs shall be claimed under the budget line 'travel and accommodation' rather than under this budget line.

E. Equipment[10] (Budget Line 5 – BL5)

Definition.
This budget line covers expenditure for purchasing, renting or leasing equipment. The costs of equipment will either be reimbursed on the basis of depreciation, or on a full cost basis.

Equipment expenditure includes the following categories;
• Office equipment;
• IT hardware and software;

[10] Article 7 of Delegated Regulation (EU) No 481/2014

- Furniture and fittings;
- Laboratory equipment;
- Machines and instruments;
- Tools or devices;
- Vehicles;
- Other specific equipment needed for operations.

Equipment items can only be funded by the Programme if no other EU funds have contributed towards the cost of the equipment. This includes purchase of 2nd hand equipment where the original purchase of the equipment was supported by EU funds.

Hardware and Software, which will in most cases be “off the shelf” purchases rather than the development of a bespoke product, is considered an Equipment Cost. Bespoke hardware would fall under this category, however bespoke software would be considered a development cost and therefore should be under External Expertise as set out above.

The cost of equipment purchases (rather than leasing or renting) is reimbursed either on the basis of depreciation or full cost.
If the equipment was purchased before the Project began, then only depreciation can be claimed rather than the full cost of purchase.
Partners can decide to claim the full cost where the equipment will be used for the purposes of the project activities after the formal closure of the project. This must be set out in the Application Form. For this option the PPs will need to establish an Asset Management Plan to ensure that the equipment will remain the property of the Partner Organisation and used for activities in line with the project activities until the end of the depreciation period. More detailed information on this Asset Management Plan can be found in the Guidance Note 13 on Project Closure.

The details of this asset management plan and the obligations of the Partners will be set out in the Grant Offer Letter.

If, after the project has been approved by the SSC a Project wants to change from claiming on the basis of depreciation to claiming the full cost of equipment, then this change should be submitted as a project modification. (See the Guidance Note 6 related to Project Implementation.)

Depreciation should be calculated in accordance with the accounting rules of the Partner organisation, and this calculation should be provided as a part of the claim.

Second hand equipment is eligible provided the following conditions are met;

- No other assistance has been received for it from European Funds;
- Its price does not exceed the generally accepted price on the market in question;
- It has the technical characteristics necessary for the project

If equipment is partially used to support the project and partially used for non-project activities, a pro-rata amount may be charged to the project on the basis of the percentage of time the equipment is used for project activities compared to the percentage of time the equipment is used for non-project activities.

Supporting documents needed to allow the expenditure to be verified.

The following documents must be available for control purposes:

- Evidence of compliance with procurement rules.

- Invoice (or a supporting document having equivalent probative value to invoice).
- Where depreciation is used, the calculation of depreciation in compliance with the applicable national and organisations' rules.
- Organisation's rules on depreciation
- Where a pro-rata allocation is made, the calculation method in line with the organisation's accounting rules
- Proof of payment.

Point of attention

• Rented equipment: any equipment (including rented) necessary for the implementation of the project needs to be budgeted and reported in the equipment budget line. Rental costs for equipment do not fall under the budget line, "External Expertise and Services costs."

F. Infrastructure and construction works[11] (Budget Line 6 – BL6)

Definition

"Infrastructure and construction works" budget line covers costs related to investments in infrastructure that do not fall into the scope of other budget lines. This includes costs for:

- Purchase/provision of land;
- Site preparation;
- Delivery;
- Handling;
- Installation;
- Renovation;
- Labour for construction
- Other costs necessary to the implementation of construction works.

In-kind contributions are eligible under this budget line, so long as the requirements the Programme are fulfilled (for further information see the Guidance Note 9 on "In-kind contributions.")

The following eligibility rules apply to this expenditure, in addition to the general eligibility rules of the programme;

- The full cost of infrastructure and construction works can be reported in this budget line so long as it is fully justified in the framework of the project activities (no depreciation shall be applied).
- Purchase of land cannot exceed 10% of the total eligible expenditure of the project[12].
- A project can also claim the provision of land and/or real estate in the form of in-kind contribution, provided that;
    - The land is for the sole use of the project, and its use/ownership has been transferred to the project on a long-term basis (to claim the value in its entirety)
      If the land is not for the sole and long-term use of the project, it may be contributed as an in-kind contribution only up to its rental value for the period which it is used by the project
    - Any increase in the value of the land or real estate as a result of the project activities, where the land then reverts back to the Partner, may be considered a revenue and the Programme support may be reduced accordingly (Further Information is contained in the Guidance Note on "Revenues."

Projects comprising investment in infrastructure or productive investment must ensure that the infrastructure continues to be used and does not undergo a change in ownership or undergo substantial changes in the nature of the infrastructure before five years following the project closure (further details about sustainability requirements are available in Guidance Note 13 on "Project closure"). If this happens then the Programme will be required to recover the support, it provided to the investment from the PP.
The precise deadline following the project closure may vary if the project was approved under certain State Aid exemption rules, for more information please consult the Guidance Note 11 on "State Aid."

[11] This budget line is in addition to the 5 mandated by Delegated Regulation (EU) No 481/2014. It has been developed in co-operation with other Interreg Programmes through the INTERACT organisation.
[12] Article 69(3)(b) of Regulation (EU) No 1303/2013

Supporting documents needed to allow the expenditure to be verified.

- In the case of land and real estate purchase (or provision in the form of in-kind contribution), a certificate from an independent qualified evaluator or duly authorised official body confirming that the cost is in line with the market value;
- Documents specifying the ownership of land and/or real estate where the works are carried out, as well as proof of commitment to establish and maintain an inventory of all fixed assets acquired, built or improved under the ERDF grant.
- Supporting documents demonstrating that the expenditure has been incurred and paid.

III. State aid

State Aid is the name given to the rules governing when Public Authorities may provide support to organisations which engage in economic activity (including, but not limited to, private companies). These rules aim to prevent distortions in the free market arising from subsidies from the Public Sector.

Even if a project does not involve the Private Sector directly or indirectly, there is still a possibility that State Aid rules may apply to it, as the definition of an organisation engaging in economic activity is very broad and, in some cases, includes Public Sector organisations.

Therefore, all PPs should carefully consult the Guidance Note on “State Aid”.

IV. Exchange rate & currencies

All financial reporting is required to be in euros, and the Programme will pay grants to the LP only in euros. As Project Partners are likely to incur expenditure in other currencies, they will be required to convert this expenditure into euros before submitting the claim. This will be done automatically on eMS.

The conversion will be carried out on the basis of the European Commission monthly exchange rate for the Month when the claim was submitted to the First Level Controller[13].

The exchange rate shall be applied only to expenditure incurred and defrayed by the Partner organisation.
If an expenditure in euros was firstly paid by the employee and then reimbursed by the Partner Organisation in another currency, for example expenses paid with a corporate credit card, the conversion rate shall apply to the amount the organisation was liable to pay to its bank (amount defrayed by the organisation).

As a general principle, expenses should be declared in euros when the partner organisation was liable to pay in euros (staff contract, or any other contract) and/or if the cost was defrayed from a euro bank account.

Costs incurred by Partners related to fluctuation of foreign exchange rates are not considered eligible expenditure.

For UK partners incurring costs in France, there are 2 different interpretations that can be applied to the term “original currency”. Either the amount that is on your bank statement (which would be in UK sterling) or the amount in Euros as per the item receipt. Either way we would need to see the

[13] Article 28(b) of Regulation (EU) No 1299/2013

defrayal through the bank account. What is important when applying the interpretation of original currency, is that you apply a single interpretation throughout the project duration in line with your organisations' internal rules. These rules are in place to ensure that projects do not make a profit from the exchange rate and that minimal currency exchanges take place on the same expenditure.

V. VAT[14]

VAT is not eligible except in the case of VAT which is not recoverable under national VAT legislation. If a Partner can recover VAT (regardless of if it actually does), all expenditure reported to the Programme has to be reported without VAT.

VI. Generally ineligible expenditure

Legal Disputes
Fines, financial penalties and expenditure on legal disputes and litigation, is not eligible. This does not prevent expenditure on non-contentious legal advice, such as legal consultation relating to the purchase of land or the writing of contracts[15].

Interest on Debt
Interest on debt is not eligible[16].

Gifts
Expenditure on gifts, such as promotional items is not eligible.

Programme rule on recovery of irregularities of 250 Euros and less
The programme will not recover or deem amounts of 250 Euros or less as irregularities that would be recovered.
The €250 rule is the total of all irregularities found **per operation** and **per accounting year**. (e.g. 3x irregularities of €100 for the same project in a given year will result in recovery of the total €300)

VII. Intellectual property rights

As a general principle and in the spirit of cooperation and exchange, project outputs are expected to be freely available for the public.

Projects should make use of the Partnership Agreement to make the necessary provisions for questions on ownership and intellectual property rights which relate to assets used for the project, however the final results of the project must be freely available to the public.

[14] Article 69(3)(c) of Regulation (EU) No 1303/2013
[15] Article 2(2)(a) of Delegated Regulation (EU) No 481/2014
[16] Article 69(3)(b) of Regulation (EU) No 1303/2013