HOW TO PLAN PROJECT BUDGET

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Basic principles

Basic principles

- **ERDF support up to 80%** of all eligible project expenditures; the remaining part (≥20%) covered by the project partners' own funds (own contribution)
- **National co-financing** is possible: **10%** of total partner’s budget
- **No advance payments**
- **Eligible VAT** (Value Added Tax)
- **Expenditures** envisaged in the budget should **correspond** to the planned **activities** of the project
- **Costs** must be **incurred** by PP and **paid out** “gone out of the PP bank account” within the project duration
- **Sound financial management** (Economy, efficiency & effectiveness)

Basic principles

- No subcontracting other LP/PPs, themselves, own or LP/PPs' employees
- Zero tolerance towards the existence of a conflict of interest
- No double financing
- No cost sharing
  - A situation in which one PP conducts the procurement process while the other involved PPs receive separate invoices directly from the supplier may also be considered as form of cost sharing
- No in kind costs

Cost categories

Cost categories

CC1	Staff costs
CC2	Office and administration costs
CC3	Travel and accommodation
CC4	External expertise and services
CC5	Equipment
CC6	Infrastructure and works

Preparation costs lump sum does not belong to any cost category and shall be planned under section E1. of AF

Preparation costs

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Preparation costs lump sum is **5 000 EUR** (4 000 EUR ERDF) and it could be **split** between project partners

A project can **receive reimbursement** for the preparation costs of the project based on the following preconditions:

- PPs plan preparation costs in the Application Form
- LP requested reimbursement of the preparation costs in the Partner report for 1st reporting period

Cost category 1– Staff costs

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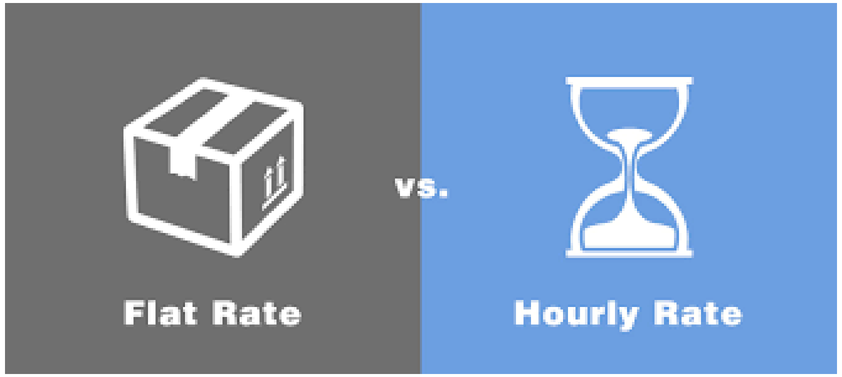
Only two options are possible:

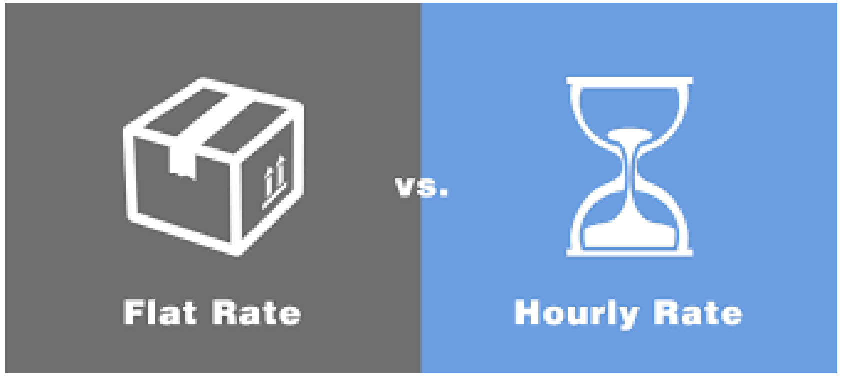
- SCO **flat rate** method: **15%** of real costs (CC4, CC5 & CC6)
- SCO **standard scale of unit cost** method: **17 EUR hourly rate**



Cost category 1– Staff costs

- Each PP can choose **only one** appropriate reporting method
- **LP/PP cannot change the Staff costs method** during the project implementation!

Both methods do not require to provide documents to Programme bodies that expenditure has been paid out.



Cost category 1 – Staff costs / Flat rate

SCO **flat rate** method: **15%** of total eligible real costs (CC4, CC5 and CC6)*

- **If LP/PP chooses the flat rate method, external project management costs** (project manager, coordinator, assistant, financial managers, procurement and public relation specialists, etc.) **are ineligible and cannot be planned under CC4.**

- The calculation is done automatically.

For more information, check the Programme Manual for 3rd Call (section 7.5.1.)

Partner Budget Options

☑ Staff costs flat rate: 15 % (fixed rate)

**Flat rate method is mandatory for projects with total eligible project budget below 200 000 EUR!*

Cost category 1 – Staff costs – Unit rate

Calculated by multiplying standard unit cost (**17 EUR/h**) with **number of units** (hours)

- The hourly rate is standard for all employees regardless of their position
- **Only productive hours can be planned and reported**
- **This rate is not affected by real rate of remuneration used within LP/PP institutions (it can be higher or lower)**
- The rate already includes all taxes

Partner Budget Options

☐ Staff costs flat rate

Partner budget

Staff costs

Unit costs	Staff function	Comments	Unit type	No. of units	Total
Staff costs unit r...	Staff costs unit rate (hourly ...		EUR/hour	1,00	17,00
+					**17,00**

Cost category 1 – Staff costs – Unit rate

Limitation:

LP/PP cannot declare more than **1 720 hours** per full time employee **per year**, for a six-month reporting period maximum limit is **860 hours**.

PPs shall reduce this maximum number of hours to a pro-rata of 1 720 hours for employees working part-time

- There is about 2000 working hours in year, but only 1720H are max allowed to report for full time employee for project
- **Pro rata approach: if person works 0,25 workload in institution and project (10H per week) PP can report about 8,95H per week**

Cost category 1 – Staff costs – Unit rate

Planning tip:

Easier reporting procedures (only concise summary of the work carried out during the reporting period) for following management positions :

- LP project management duties – up to 430 hours per reporting period,

- PP project management duties per PP – up to 284 hours per reporting period,

- LP/PP financial manager duties – up to 215 hours per reporting period

For more information, check the Programme Manual for 3rd Call (section 7.5.1.)

Cost category 2 – Office and administration costs

Flat rate of **15%** of eligible staff costs

When using the flat rate, the LP/PP does not need to document that the expenditure has been incurred (paid out) or to prove that the reported amount using the flat rate would correspond to the real costs for the office and administration.

Partner Budget Options

☐ Staff costs flat rate

☑ Office and administrative costs flat rate based on direct staff costs: 15 % of Staff costs (fixed rate)

Cost category 2 – Office and administration costs

Examples of eligible costs	
• Office rent • Office supplies • Archives • Utilities (e.g. electricity, heating, water) • Communication (e.g. Telephone, internet, postal service) • IT systems support • Accounting	• Security • Maintenance, cleaning and repairs • Charges for transnational financial transactions • Costs related to the organization of internal one partner (without the participation of LP or other PPs) meetings. • etc...

These costs are already reimbursed by lump sum and therefore cannot be planned in different CC

For more information, check the Programme Manual for 3rd Call (section 7.5.2.)

Cost category 3 – Travel and accommodation costs

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Flat rate of **10%** of eligible staff costs

The flat rate only covers travel and accommodation costs of **LP/PPs' own employees**.

When using the flat rate, the LP/PP does not need to document that the expenditure has been incurred (paid out) or to prove that the reported amount using the flat rate would correspond to the real costs for the Travel and accommodation.

Partner Budget Options

- [ ] Staff costs flat rate
- [ ] Office and administrative costs flat rate based on direct staff costs
- [x] Travel and accommodation flat rate: 10 % of Staff costs (fixed rate)

Cost category 3 – Travel and accommodation costs

Examples of eligible costs

- Travel costs *(such as tickets, travel and car insurance, fuel, car mileage, toll, parking fees, rent of vehicle)*
- The cost of meals *(e.g., cost of meals provided during travelling) **
- Accommodation costs
- Costs related to mandatory requirements for entering countries, *e.g. visa costs, mandatory health tests, etc.*
- Daily allowances

For more information, check the Programme Manual for 3rd Call (section 7.5.3.)

These costs are already reimbursed by lump sum and therefore cannot be planned in different CC

** PPs must plan and report costs for **catering during events under CC4**.*

Cost category 4 – External expertise and services

Costs for services to support the project implementation which are provided by body or a natural person outside of the partner organisation

! *Costs are based on agreements concluded with service providers and paid based on invoices*

External expertise and services

Description	Comments	Investment	Unit type	No. of units	Price per unit	Total
		N/A		1,00	0,00	0,00
+						0,00

Cost category 4 – External expertise and services

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Examples of eligible costs	
• Studies • Surveys • Translations • Participation in trainings • IT, Communication, Financial management, Publicity, other services linked to a project	• Services related to the organization and implementation of events or meetings • Costs for financial control for LT PPs • Travel and accommodation for the target group • etc…

For more information, check the Programme Manual for 3rd Call (section 7.5.4.)

! *The **work** by external experts and service providers must be **essential** to the project and specified in the AF.*

Cost category 4 – External expertise and services

Specific rules:

- Price should be **adequate**.
- Costs shall be based on **detailed commercial offers**, including **breakdown** of costs.
- Partners must include under CC4 all costs of **external expertise and services** that are **linked** to an investment in **equipment and infrastructure** planned under CC5 or CC6 (e.g. supervision of construction works).
- Wages/compensation for **artists and authors** are **not eligible**, with the exception if activities are **essential** for the implementation and **stated** in AF.
- If LP/PPs use rented **transportation** for the events where project **management staff** and project **target group** participate, total costs for transportation are **eligible** under CC4.
- Costs for **lunch** are eligible for a **minimum six hours** meeting, and LP/PPs can include costs for **dinner** for events taking place **more than one day**.

Ineligible costs

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- Creation of **stand-alone logos or designs** for projects whose use is limited to the lifetime of the project.
- The stand-alone **project website** outside www.latlit.eu, unless it directly serves to reach project results and exceeds the lifetime of the project.
- **Promotional materials** (e.g., gadgets, giveaways or souvenirs) except items required explicitly for reaching defined target groups. The Programme has described such items in detail under section 6.4 "Publicity requirements" of the Programme Manual and PPs must plan them in the Application Form.
- Costs linked to **awards and prizes** granted or given at competitions organized by the LP/PPs.
- Costs of **groceries** purchased from the shops.

For more information, check the Programme Manual for 3rd Call (section 7.2.)

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Cost category 5 – Equipment

Equipment that is necessary to achieve the project’s objectives

! *Costs are based on agreements concluded with service providers and paid based on invoices*

Equipment

Description	Comments	Investment	Unit type	No. of units	Price per unit	Total
		N/A		1,00	0,00	0,00
+						0,00

Cost category 5 – Equipment

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Examples of eligible costs	
• Office equipment • IT hardware and software • Furniture and fittings • Laboratory equipment	• Machines and instruments • Tools or devices • Other specific equipment needed for the project

For more information, check the Programme Manual for 3rd Call (section 7.5.5.)

- To **rent or lease** equipment, LP/PP should provide justification in the AF.
- **Cross-border relevance** of the investments in the equipment should be evident.
- The needed **functionality** and **quantity** of equipment have to be specified.
- **Second-hand equipment** is eligible if conditions stated in PM are met.
- Costs shall be based on detailed commercial offers, including breakdown of costs.

! *The **equipment** must be **essential** to the project and specified in the AF.*

Cost category 6 – Infrastructure and works

Costs of infrastructure and works that are necessary to achieve the project's objectives and ensure durability

! *Costs are based on agreements concluded with service providers and paid based on invoices*

Infrastructure and works

Description	Comments	Investment	Unit type	No. of units	Price per unit	Total
		N/A		1,00	0,00	0,00
+						0,00

Cost category 6 – Infrastructure and works

Examples of eligible costs	
• Building permits • Building material • Labour	• Specialised interventions (such as soil remediation and mine-clearing) • The purchase of land for an amount below 10% / 15% of CC6

For more information, check the Programme Manual for 3rd Call (section 7.5.6.)

- **Cross-border relevance** of the investments in the infrastructure should be evident.
- Costs shall be based on **cost estimates**.
- A **full set of documents** required under the national building laws and **proof of ownership** of land/premises or lease of land/premises agreements must be submitted.
- Costs for building permits for (re)construction works planned in AF are not eligible.

! *The **works** must be **essential** to the project and specified in the AF.*

Budget planning

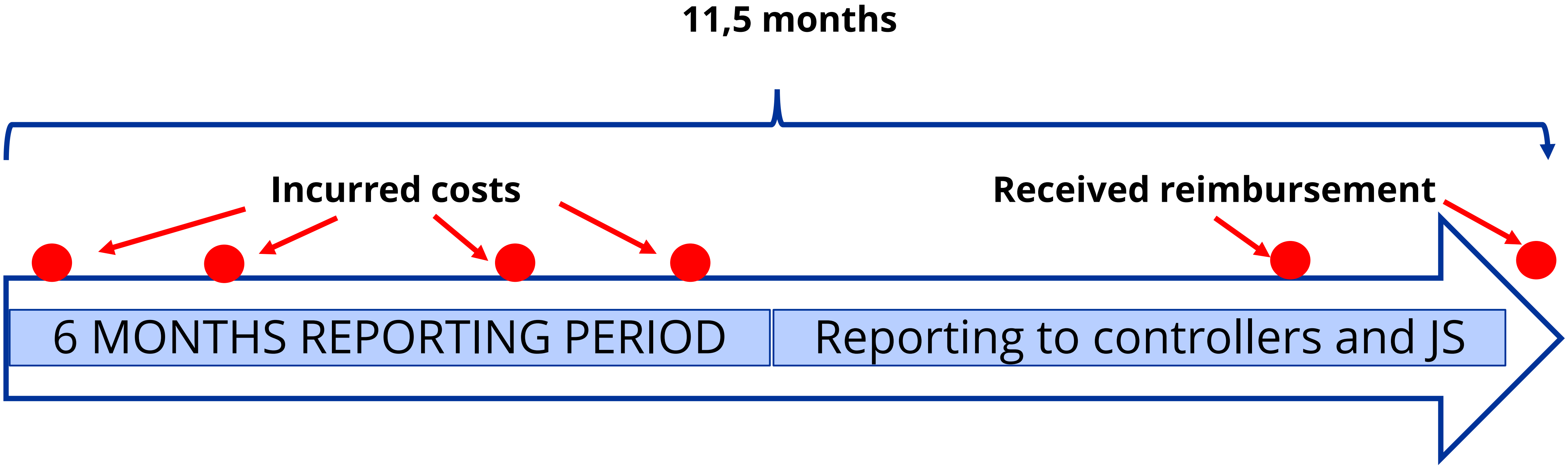
Budget planning

Planning **per periods**:

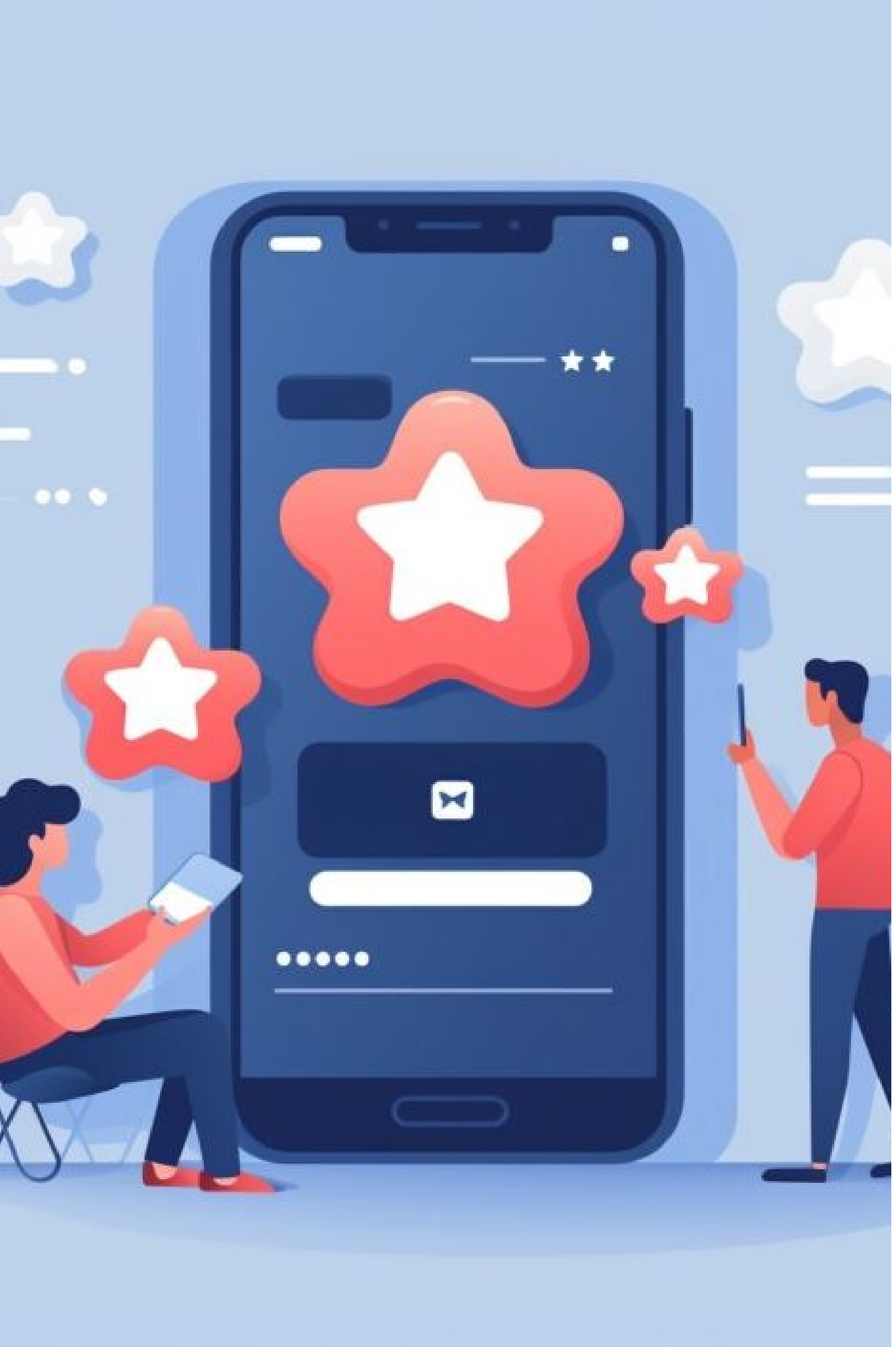
- Programme set reporting periods - **6 months**
- Be realistic when planning costs per period, projects usually start slowly

Reimbursement timeframe:

- **70%** of Programme co-financing after 3,5 months from period end
- **30%** of Programme co-financing after 5,5 months from period end



Recommendations



Recommendations

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✓ Have **available funding** for first two periods (There are no advance payments)

✓ Foresee possible delays in implementation

✓ **Don’t plan costs for another PP**

✓ Use **rounding** to whole numbers

✓ **Link costs in budget to activities** planned in the work plan (also refer to activity number in budget information)

Recommendations

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- ✓ Use **market research/commercial offers** for planning CC4 & CC5 costs
- ✓ Use **up-to-date cost estimates** for planning CC6 costs
- ✓ Plan costs for **mandatory communication** elements
- ✓ For LT partners plan costs for **Nacional control (~3% of PP total budget)**
- ✓ **Detailed planning** of activities - provide **breakdown of costs in budget comments**

Recommendations

✓**Detailed planning** of activities
- provide **breakdown of costs in budget comments**

Activity 1.2 /Classes of art therapies

48x art therapy 2 h/session, 20 people; 100 eur/session. 24 x music therapy, 2h/session, 20 people; 100 eur/session; (Qualification: professional art therapist and music therapist), 48+24=72x100eur=7200,00.

External expertise and services

Description	Comments	Investment	Unit type	No. of units	Price per unit
D.1.4.1. Classes of art ther	48x art therapy 2 h/sessior	N/A	Contract	1,00	7.200,00

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