



EUI-IA FUNDING
& BUDGET
PRINCIPLES

ADDITIONAL READING

Eligibility of project expenses (7.1)

Background

Return on experience from the Urban Innovative Actions Initiative

- 86 projects funded
- More than EUR 300 Mio of reported expenses

Greater use of simplified cost options

- One of the most important simplification measures encouraged by EC
- Easier access of small beneficiaries to ERDF funding
- Reduced reporting burden and costs for the projects
- Lower error rate in reported expenses
- Quicker control of project expenses
- Faster payment of projects

Simplified cost options

1. Lump sums

Definition

Single sum of money paid to the project upon completion of pre-defined terms of agreement on deliverables and/or outputs. Lump sums involve approximations of costs established based on fair, equitable and verifiable calculation methods.

➤ Project preparation:	EUR 25,000	(= EUR 20,000 ERDF)
➤ Initiation Phase:	EUR 75,000	(= EUR 60,000 ERDF)
➤ Project Closure:	EUR 20,000	(= EUR 16,000 ERDF)
➤ Transfer Partner:	EUR 150,000	(= EUR 120,000 ERDF)

Simplified cost options

2. Flat rates

Definition

Specific categories of eligible costs which are clearly identified in advance are calculated by applying a percentage fixed ex-ante to one or several other categories of eligible costs. Flat rates involve approximations of costs and are defined based on fair, equitable and verifiable calculation methods, or they are established by specific regulations.

- Staff costs (option 1): 20% of the total eligible amount declared by the Project Partner under the cost categories: external expertise, equipment and infrastructure

Office & administration costs: 15% of staff costs

Travel and accommodation: 5 % of staff costs

Simplified cost options

3. Standard scale of unit costs

Definition

A project receives ERDF on the basis of quantified activities, outputs or results multiplied by standard scale of unit costs established by the Initiative

- Staff costs (option 2) are calculated based on standard scale of unit costs defined by the Project Partner. In this case, the standard unit cost is an hourly rate, and it applies to every employee regardless of the position. Project Partners must report the staff costs based on the number of hours worked by their employees.

Method of calculation: **hourly rate = Annual payroll / Full time equivalents / 1,720**

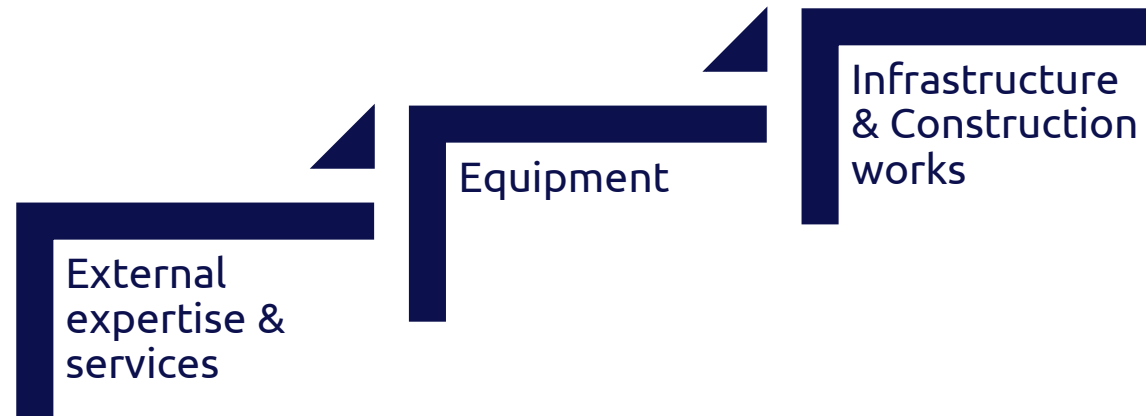
- Annual payroll: total staff costs of the Project Partner per year
- Number of Full Time Equivalent employed by the organisation
- 1,720: number of hours per full time employee per calendar year

Real costs

Principles

Definition

- Amounts planned by Project Partners to purchase goods and services to achieve objectives through defined activities



Principle

- Expenses planned and incurred on the basis of real costs will be subject to **procurement rules** (institutional, national, EU level)
- Expenses based on **invoicing between Partners are ineligible**

Audit trail

- **Complete audit trail** (evidence of procurement, contract, invoice, proofs of payment...)

Real costs

Cost categories concerned

External expertise and services

- Expenses related to professional services and expertise provided by external service providers
- It also includes Financial Schemes implemented by Project Partners (limited to a maximum of max. EUR 60 000 per beneficiary)

Equipment

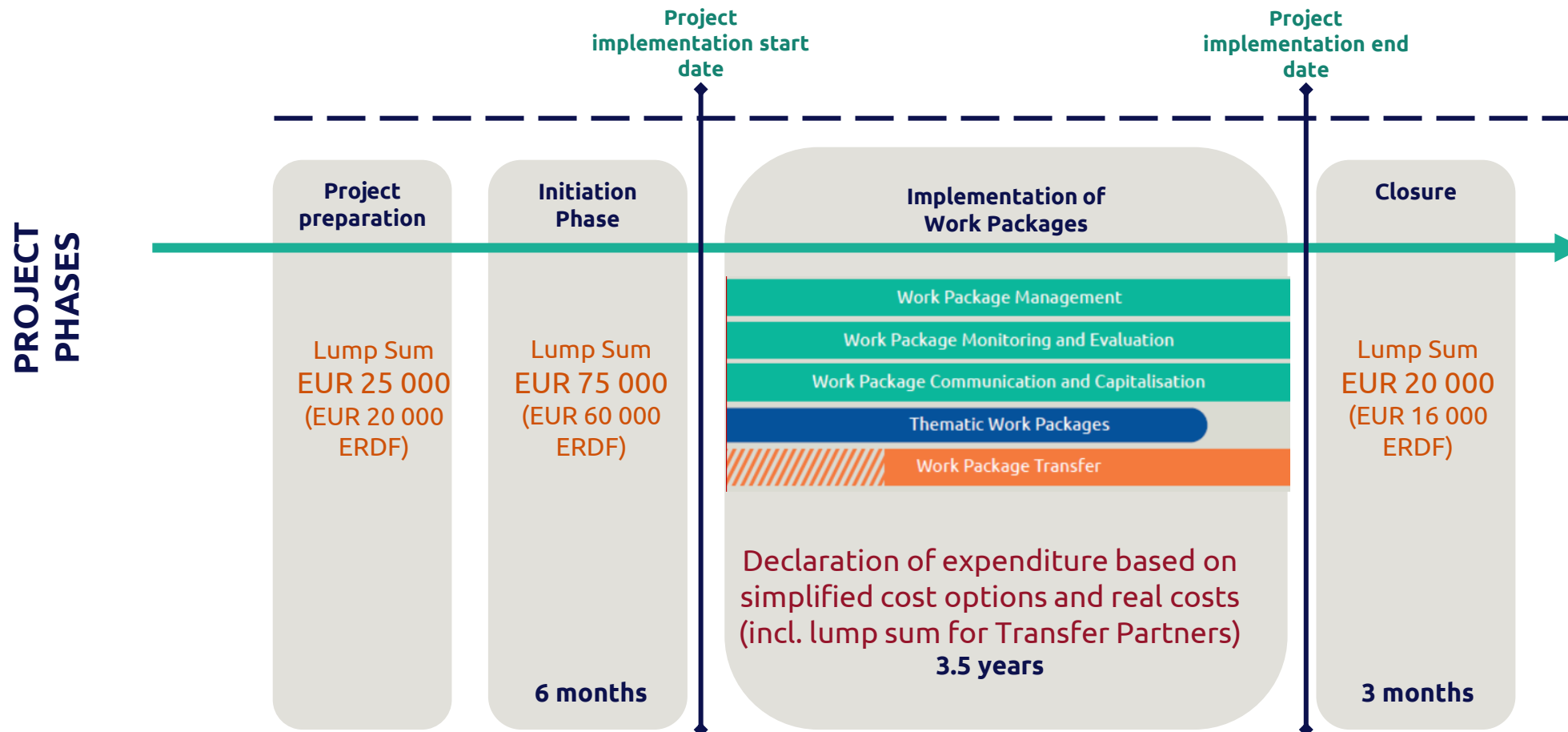
- Expenses related to equipment purchased, rented or leased by a Project Partner (other than those covered by the Office and Administration cost category)

Infrastructure and construction works

- Expenses related to investments in infrastructure

Eligibility period (7.4)

Overview (cost types)





Cost Categories



Staff costs

Eligibility of costs

ELIGIBLE	INELIGIBLE
<ul style="list-style-type: none">✓ Salary payments (fixed in an employment/work contract as gross salary)✓ Other costs directly linked to salary payments (e.g. employment taxes, social security, holidays, overtime, including health coverage, taxable benefits or pension contributions)<ul style="list-style-type: none">✓ Evidence that staff member is officially assigned to the project will have to be provided (contract, work order, etc.)	<ul style="list-style-type: none">× Voluntary payments (e.g. payments not in line with the employment contract, the employment policy of the Project Partner, or payments without any legal commitment)× Staff costs for employees not officially assigned to the project× Dividends (a way of sharing profit with employees or in case of one-employee company)× Overheads as already included under cost category “office and administration”× Agency workers (payment is based on Invoice between legal entities, thus this is considered External expertise cost category)

Staff costs

Option 1 - Flat rate at 20%



Principle

- **20%** of the total eligible amount declared by the Project Partner under the following Cost Categories and inside each work package:
 - external expertise and services
 - equipment, and
 - infrastructure and construction works
- This option is **not authorised** for Project Partners foreseeing to include in their costs works contracts or supply or service contracts which exceed in value the thresholds of the [EU public procurement Directives](#)

Audit trail

- With this methodology, Project Partners **do not need** to provide any justification or supporting documents to claim staff costs
- The auditor checks **during the initiation phase** that staff costs have been calculated according to the methodology and that the other categories of costs, which form the basis for the calculation, are legal and regular

Staff costs

Option 1 - Flat rate at 20%



Example

	Staff costs	O & A	T & A	External Expertise & Services	Equipment	I & C works
WP 1	1.000,00	150,00	50,00	5.000,00		
WP 2	12.000,00	1.800,00	600,00		60.000,00	
WP 3	9.000,00	1.350,00	450,00	45.000,00	80.000,00	
WP 4	19.000,00	2.850,00	950,00	15.000,00		
WP 5	125.000,00	18.750,00	6.250,00	35.000,00	90.000,00	500.000,00

! Attention –
amounts planned can
lead to disqualifying
PP from right to use
the flat rate option
(Check the EU public
procurement
thresholds!)

Staff costs

Option 2 - Standard Scale Of Unit Costs

Principle

- Calculation method for standard scale of unit costs is **defined and proposed by the Project Partner** as an **hourly rate, applicable to every employee regardless of the position**
- Project Partner must apply the unit staff costs to the number of their employees appointed to the project in project duration
- Maximum number hours of an employee working under an employment contract or equivalent cannot exceed **1,720 hours** per full time employee per calendar year

Method of calculation

$$\text{Hourly rate} = \frac{\text{Annual payroll}}{\text{Full time equivalent} \times 1\,720}$$

- Annual payroll: total staff costs of the Project Partner per year, in EUR
- Full Time Equivalent: number of full-time equivalents employed by the organisation
- 1,720: maximum number of hours per full time employee per calendar year

Audit trail

- Supporting documentation used for the calculation method **during the initiation phase**
- Employment confirmation (e.g. contract) + report of hours (timesheets) **with the Financial Claims**

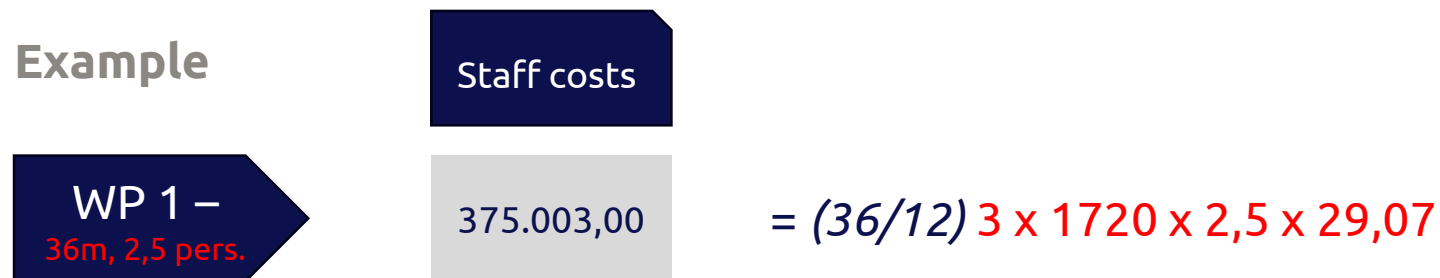
Staff costs

Option 2 - Standard Scale Of Unit Costs

Example



Example



Staff costs

Option 2 - Standard Scale Of Unit Costs



Example

	Staff costs	O & A	T & A	External Expertise & Services	Equipment	I & C works
WP 1 – 36m, 2,5 pers.	375.003,00	56.250,45	18.750,15	5.000,00		
WP 2 – 36m, 1 pers.	150.001,20	22.500,18	7.500,06		60.000,00	
WP 3 – 6m, 1,5 pers.	37.500,30	5.625,05	1.875,01	45.000,00	80.000,00	
WP 4 – 12m, 0,75 pers.	37.500,30	5.625,05	1.875,01	15.000,00		
WP 5 – 18m, 3 pers.	225.001,80	33.750,27	11.250,09	35.000,00	90.000,00	500.000,00

Office & Administration costs

Flat rate of **15%** of the reported staff costs (either option)

Exhaustive list of items considered under Office & Administration available in the EUI-IA guidance

Audit trail: none

Travel & Accommodation costs

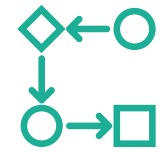
Flat rate of **5%** of the reported staff costs (either option)

Exhaustive list of items considered under Travel and Accommodation available in the EUI-IA guidance

Audit trail: none

External Expertise & Services

Overview



Principle

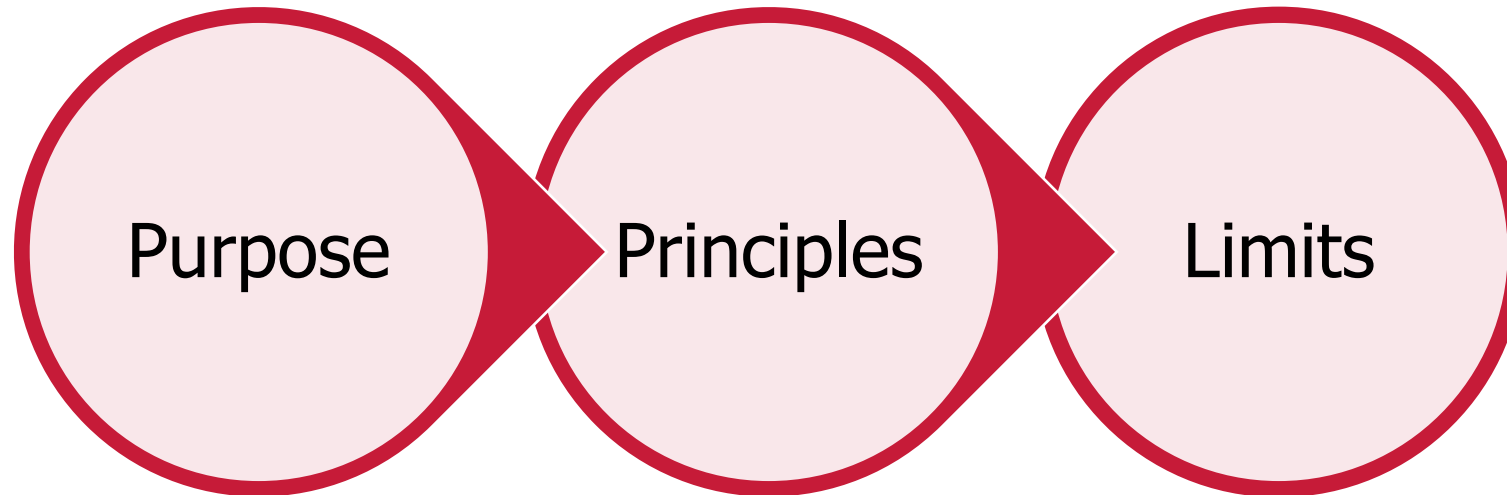
- Professional services and expertise provided **by external service providers** (other than the Project Partners) contracted to carry out certain activities linked to the delivery of the project
- Must be **necessary** for the project and should be linked to activities foreseen in the Application Form

Examples

- Studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks), training, translations, promotion, communication, publicity or information items, financial management, legal consultancy, IT systems and website (development, modifications and updates)...
- Includes **Financial Schemes** implemented by Project Partners to the benefit of third parties

External Expertise & Services

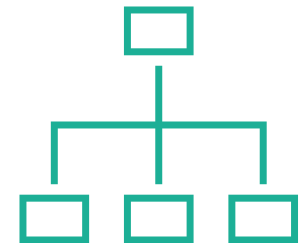
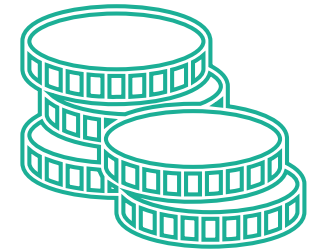
Financial Schemes



- **Distribution of financial contribution** to third parties (not official project partners) through **prizes, vouchers, or grants**

- **Transparency and equal treatment**
 - competition procedure
 - award / rejection procedure
 - monitoring and control system

- Up to **60.000,00 EUR** per third party
 - connection to the WP,
 - activity/
deliverable/



Equipment



Principle

- Equipment **purchased, rented, leased or in possession** by a Project Partner to carry out project activities, excluding those covered by the office and administration cost category (furniture, IT hardware and software, machines and instruments, tools, devices, vehicles, etc.)

Types of equipment

Accessory equipment

Tool or device **used to carry out project activities**. It is necessary for the implementation of project activities and for the delivery of the project outputs.

Reporting: depreciation based

Investment equipment

Tool or device **considered as a project investment** (or part of a project investment) and produced as result of the funding given to the project, that will remain in use by the target group after the completion of the project.

Reporting: full costs

Ownership & durability principles

Audit trail

- Backed by a **complete audit trail** (evidence of procurement, contract, invoice, proofs of payment...)

Infrastructure & Construction works

Principle

- Investments in infrastructure that do not fall into the scope of other cost categories
- Eligible only if **crucial** for the achievement of the project's outputs and results
- Full purchase price eligible (**no depreciation**)
- **Ownership & durability principles**

Examples

- Purchase / provision of land (10% maximum of the total project budget)
- Purchase / provision of real estate
- Site preparation / Renovation / Building permits / Building materials

Audit trail

- Backed by a **complete audit trail** (evidence of procurement, contract, invoice, proofs of payment...)



Audit & Control

Audit & Control Overview

3 levels of control at EUI

First level control

Represent the frontline of the overall control-system. FLC is an **independent** body responsible for ensuring that all expenditure declared by the Project Partners comply with the EUI, EU, national and Partner rules and is therefore *eligible, legal and rational*.

Second level control

Ensures that the overall management, control procedures and documents set up at EUI level are correctly applied and ensure the **prevention and correction of potential weaknesses and errors**

Other types of control

Other responsible EU bodies such as the European Commission's audit services, the European Court of Auditors, or the Entrusted Entity and European Urban Initiative Permanent Secretariat themselves may carry out audits to check the **quality of the implementation of the project**

First Level Control

Ex-ante audit

Overview & purpose

- on-the-spot control carried out at the MUA's and selected Project Partners' premises

Training of all project partners

Control of the management structure (incl. public procurement)

Readiness check (e.g. investments: location, permits, ownership)

Validation of the hourly rate for staff costs of each project partners

Follow-up

- final report is drafted by the FLC and is sent to the Permanent Secretariat for review
- FLC gives its opinion (**unqualified, qualified or adverse**) regarding the functioning of the management and control system at the MUA/Project Partner level
- In case of **adverse opinion**, a corrective action plan is required and the Entrusted Entity may decide to stop the project or suspend it until corrective measures are undertaken and verified

First Level Control

Administrative & on-the-spot check

Administrative check

- “**desk-based checks**” performed by the FLC once all project related expenditure documents of the Financial Claim are provided by the MUA to the FLC
- ensures the regularity of declared costs and compliance with all relevant regulations
- Exclusion of double reporting of cost (e.g. in two different cost categories, reporting periods, or projects/funding schemes)

On-the-spot check

- **visit** to the project and verification that activities, purchases of services, goods investments were actually carried-out in accordance with the approved Application Form during the implementation, and that related regulations have been respected

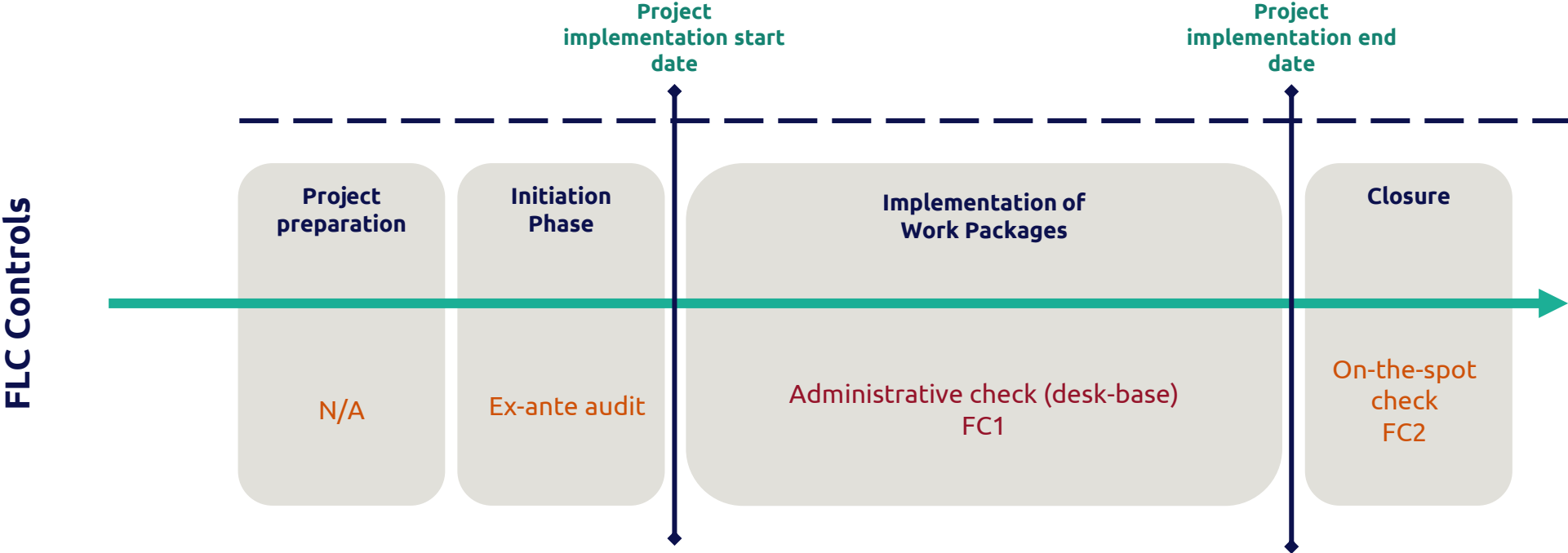
The reality of the operation

The delivery of products and services in full compliance with the approved Application Form

Physical progress

The accuracy of all information provided by the beneficiary regarding physical and financial implementation of the operation

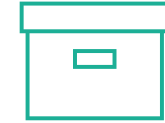
First level control Timeframe



Centralised System
FLC is **centralised and sub-contracted** to a single independent audit company
Project partners do not have to plan or claim the costs to cover the FLC service!

Other types of control

Overview



Second Level Control (SLC)

- ensures that the overall management, control procedures and documents set up at EUI level are correctly applied and ensure the **prevention and correction of potential weaknesses and errors**
- carrying out **system audits and yearly audits on operations** (at least 10% of projects). During the audit on operations projects are selected to verify that they have declared their expenditure correctly
- ensuring that no mistakes are made in the accounting records at the level of projects and that FLC worked properly
- **centralised and externalised** to an independent audit company, directly managed by Permanent Secretariat

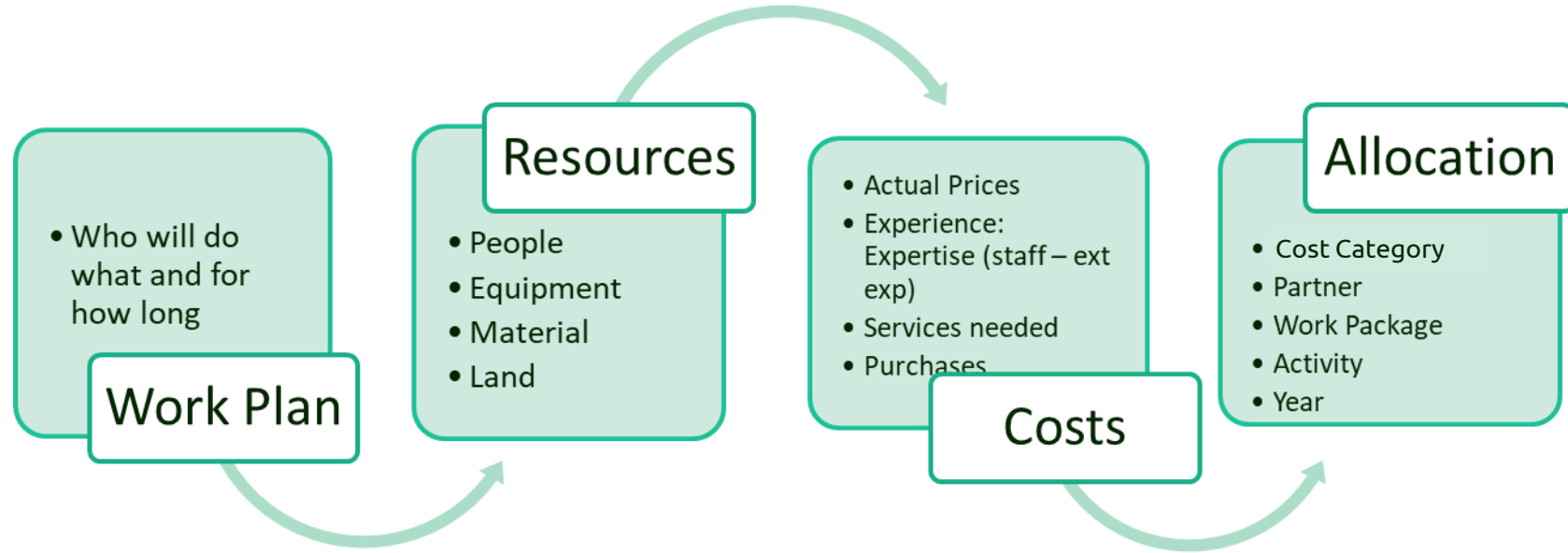
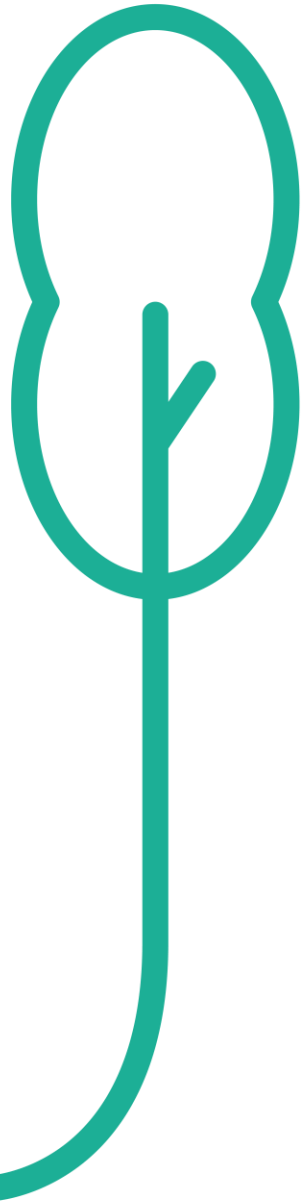
Others

- The European Commission's audit services, the European Court of Auditors, or the Entrusted Entity and European Urban Initiative Permanent Secretariat may carry out audits to check the quality of the implementation of the project
- Projects may be checked even after the project implementation - safe archiving of all project documents until the date indicated in the project closure notification is required!



Budget Planning

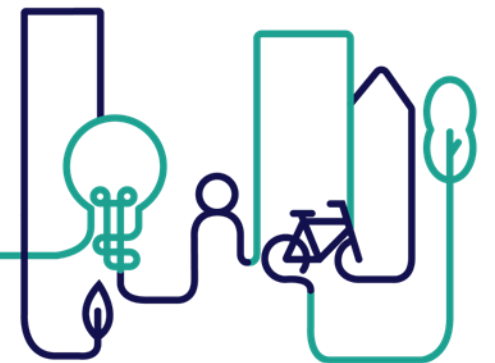
How to ensure a clear and consistent planning of your project budget?



- **Co-financing rate 80% ERDF + 20% contribution**
- **Essential for the project implementation**
- **Use bottom-up approach**

Key principles of sound budget planning

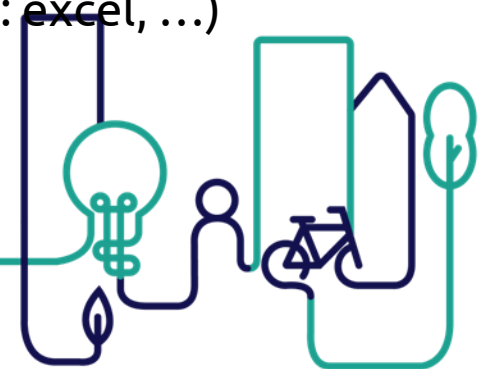
- **Relevant Budget** (work plan - activities)
- **Realistic, proportionate and reasonable Budget** (VfM: economy, efficiency, effectiveness – Partners and Time Plan)
- **Transparent Budget** (Partners provide detailed information)





Project budget tips

- Rely on EUI-IA Guidance to plan the budget: what is possible/ eligible and what not.
- Be realistic when planning your budget (check real costs – market value, procurement rules, state aid ...) and avoid:
 - Guess-based budgets and unrealistic costs
 - Excessive costs (staff, external experts, equipment ...)
- Wonder whether the project budget represents good Value for Money
- Project budget should reflect Project Partners' involvement in the activities and should be proportionate.
- Do not include costs already covered by EUI - IA:
 - Auditors
 - IA Experts
- Use a tool outside the EEP system, to plan your costs and build your budget (e.g.: excel, ...)
- Be aware that budgeting takes time: start early enough!



Key principles of sound budget planning

WP5 Rethinking and reviving the building		
Activity	Deliverables	Outputs and Investments
A.5.2 Testing Different Energy Efficiency and Climate-Proofing Solutions	<p>D.5.2.1 Building Assessment to identify sustainability problems.</p> <p>D.5.2.2 Designing the state-of-the-art solutions addressing the challenges identified.</p> <p>D.5.2.3 Technical renovation plan for the building</p>	<p>O.5.1 Building enabled for hosting social services.</p> <p>I.5.2 Testing sustainability solutions (intelligent services, climate proofing and energy efficiency) in the building</p>

PP 3 - ABC organisation	Staff costs	Office and administration	Travel and accommodation	External expertise and services	Equipment	Infrastructure and works	Total
Description	<p>3 FTEs - 3.5 years, 1 FTE - 1.5 years, 2 PTE - 2 years, 1 assistant - 2 years</p> <p>78 / 200 characters</p>	<p>N/A</p> <p>3 / 200 characters</p>	<p>N/A</p> <p>3 / 200 characters</p>	<p>External expertise fee for D.5.2.1 and usability and lifecycle analysis. Costs for the architectural, technical and urban design plans (D.5.2.3).</p> <p>145 / 200 characters</p>	<p>ICT technology, display and visualization tools (O.5.1 - EUR 75,000). Automation of the building (I.5.2 - EUR 200,000)</p> <p>118 / 200 characters</p>	<p>Opening of the building O.5.1 (EUR 450,000) Costs for ventilation, dehumidification, heating and a modern CTS system incl energy units (I.5.2 - EUR 800,000). Adaptation works (I.5.2 - EUR 350,000).</p> <p>198 / 200 characters</p>	
Amount (€)	395,000	59,250.00	19,750.00	100,000	275,000	1,600,000	2,449,000.00

Key principles of sound budget planning

- Reflect the proportionate Project Partners' involvement, the budget distribution per activity and investment.
- In line with the project time plan.

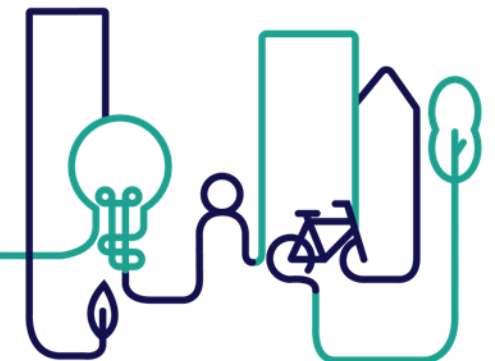
Any high or low budget share must be relevant and proportionate regarding Work Plan activities!

Indicative budget breakdown per year

Year	2024	2025	2026	2027	2028	Total
Amount (%)	22.8%	48.8%	25.8%	1.8%	1.8%	100.00 %
Budget (€)	597,850.88	1,304,401.92	815,251.20	0.00	0.00	2,717,504.00

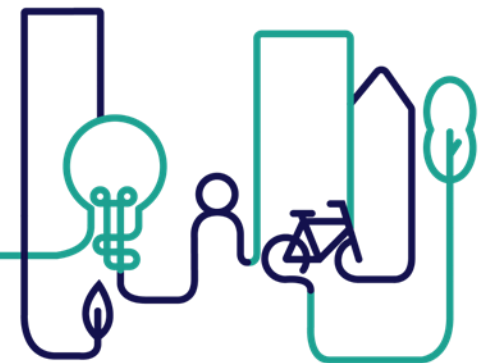
Indicative budget breakdown per activities and investments

Activity	Amount (%)	Budget (€)
A 5.1	10.78 %	292,875.40
A 5.2	9 %	244,575.36
A 5.3	6 %	163,050.24
I 5.1	48.53 %	1,318,885.00
I 5.2	25.69 %	698,118.00
Total	100.00 %	2,717,504.00



Key principles of sound budget planning II

- Reflect the proportionate Project Partners' involvement, the budget distribution per activity and investment.
- In line with the project time plan.



Entering your budget in the AF (1)

- Enter a corresponding budget at WP level for each Project Partner involved
- Allocate costs under the relevant Cost Categories
- 200 characters to describe your costs
- Use the courtesy document and the info bubbles of the system
- Review the formulas are calculating correctly the amounts

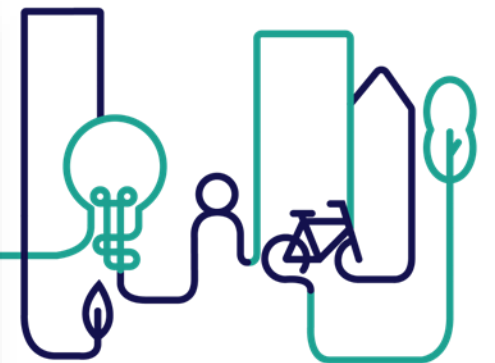
1



The screenshot shows a web form titled "Partners Involvement" with an information icon. It contains two main sections: "Responsible Partner" and "Involved Partners".


Responsible Partner (with an information icon): A dropdown menu currently displaying "PP 1 - MUA".


Involved Partners (with an information icon): A list box containing three entries: "PP 1 - MUA", "PP 2 - DP 1", and "PP 3 - DP 2". Below this list is a button with a pencil icon and the text "Involved partners".



Entering your budget in the AF (2)

2

Work Package Budget 

PP 1 - MUA 	Staff costs 	Office and administration 	Travel and accommodation 	External expertise and services 	Equipment 	Infrastructure and works 	Total 
Description	<input type="text" value="Insert description"/> 18 / 200 characters	<input type="text" value="N/A"/> 3 / 200 characters	<input type="text" value="N/A"/> 3 / 200 characters	<input type="text" value=""/> 0 / 200 characters	<input type="text" value=""/> 0 / 200 characters	<input type="text" value=""/> 0 / 200 characters	
Amount (€)	<input type="text" value="50,000"/>	<input type="text" value="7,500.00"/>	<input type="text" value="2,500.00"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="50,000"/>	<input type="text" value="110,000.00"/>
PP 2 - DP 1 	Staff costs 	Office and administration 	Travel and accommodation 	External expertise and services 	Equipment 	Infrastructure and works 	Total 
Description	<input type="text" value=""/> 0 / 200 characters	<input type="text" value="N/A"/> 3 / 200 characters	<input type="text" value="N/A"/> 3 / 200 characters	<input type="text" value=""/> 0 / 200 characters	<input type="text" value="Insert description"/> 18 / 200 characters	<input type="text" value="Insert description"/> 18 / 200 characters	
Amount (€)	<input type="text" value="0"/>	<input type="text" value="0.00"/>	<input type="text" value="0.00"/>	<input type="text" value="0"/>	<input type="text" value="50,000"/>	<input type="text" value="50,000"/>	<input type="text" value="100,000.00"/>
PP 3 - DP 2 	Staff costs 	Office and administration 	Travel and accommodation 	External expertise and services 	Equipment 	Infrastructure and works 	Total 
Description	<input type="text" value="Insert description"/> 18 / 200 characters	<input type="text" value="N/A"/> 3 / 200 characters	<input type="text" value="N/A"/> 3 / 200 characters	<input type="text" value="Insert description"/> 18 / 200 characters	<input type="text" value="Insert description"/> 18 / 200 characters	<input type="text" value="Insert description"/> 18 / 200 characters	
Amount (€)	<input type="text" value="395,000"/>	<input type="text" value="59,250.00"/>	<input type="text" value="19,750.00"/>	<input type="text" value="100,000"/>	<input type="text" value="275,000"/>	<input type="text" value="1,600,000"/>	<input type="text" value="2,449,000.00"/>
Total (€)	<input type="text" value="445,000.00"/>	<input type="text" value="66,750.00"/>	<input type="text" value="22,250.00"/>	<input type="text" value="100,000.00"/>	<input type="text" value="325,000.00"/>	<input type="text" value="1,700,000.00"/>	<input type="text" value="2,659,000.00"/>



Project budget tips

- Use the courtesy document and the info bubbles of the system

Indicative budget breakdown per activity and investment		
Activity/Investment	Percentage of the budget allocated (%) <i>Please include the percentage that each activity represents in the Work Package (the total must be 100%)</i> <i>The first activity percentage is automatically filled in with the remaining percentage of the Work Package budget after the system deducts the share (%) of the investment and the subsequent activities. Only the percentages of the subsequent activities (A.5.2, A.5.3, ...) must be entered.</i> <i>For example:</i> <i>If I.5.1 = 50% and if the applicant enters 20% for A.5.2 and 20% for A.5.3 then A.5.1 = 10%</i> <i>Total: 100% for the Work Package budget.</i>	Budget (€) <i>Budget of each activity in EUR automatically calculated by the system based on the percentages indicated on the left column.</i>
A.5.1		
A.5.2		
A.5.X		
I.5.1...	<i>Investment percentage comes automatically calculated from the budget entered in the Investment window. This is a prefilled and not editable box.</i>	
Total	<i>The total percentage (including Investments) under a Thematic Work Package will always be 100%.</i>	<i>Total for the Work Package (including the investment costs).</i>



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END OF ADDITIONAL READING