

This presentation is from JNCC's UK LIFE Application writing workshop held in Cardiff 2016.

If you would like to see more presentations from this event or if you would like more information on LIFE please see JNCC's LIFE webpages at: [jncc.defra.gov.uk/UKLIFE](http://jncc.defra.gov.uk/UKLIFE)





# Financial management of LIFE Projects General principles and lessons learned

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# Building a successful budget

## Budget Headings

- **Personnel**
- **Travel**
- **External Assistance**
- **Infrastructure**
- **Equipment**
- **Purchase of Land**
- **Consumables**
- **Other costs**



# Building a successful budget

## Personnel

- Build in all staff who are directly involved in the project
  - Must only include costs which would only occur as a direct result of project activity
  - All staff whether full time or part time **MUST** be officially seconded to the project. (contract letter)
- You will need to specify how many days each person will spend on each action throughout the life of the project (be sure to build in enough staff time)
- Staff costs are calculated as:



# Building a successful budget

## Personnel

Daily Rate	
Basic	€35,000
Pension	€8,000
NI	€4,000
Total	€47,000
Divided by number of days	221
Daily rate	€212

Remember to adjust for salary rises!

Contracted days less annual and statutory leave





# Building a successful budget

## Personnel Costs

- 2% Rule for public bodies– WATCH OUT!
- You must ensure that your total contribution to the project is at least 102% of the salary costs of the existing staff redeployed to the project.





**Cyfoeth Naturiol Cymru Natural Resources**

# 2% Rule - Illustration

<b>Existing Staff</b>	<b>A</b>	<b>420,000</b>				
Travel		50,000				
External Assistance		430,000				
Equipment		100,000				
<b>Total Costs</b>		<b>1,000,000</b>				





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<b>Existing Staff</b>	<b>A</b>	<b>420,000</b>				
Travel		50,000				
External Assistance		430,000				
Equipment		100,000	<b>Own Contribution (40%)</b>	<b>B</b>	<b>400,000</b>	
<b>Total Costs</b>		<b>1,000,000</b>				







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<b>Total Costs</b>		<b>1,000,000</b>	<b>Existing Staff</b>	<b>A</b>	<b>420,000</b>
			<b>B / A =</b>		<b>95%</b>





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# 2% Rule - Illustration

Temporary Staff		40,000			
Existing Staff	A	380,000			
Travel		50,000			
External Assistance		430,000			
Equipment		100,000	Own Contribution (40%)	B	400,000
<b>Total Costs</b>		<b>1,000,000</b>			



# 2% Rule - Illustration



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<b>Total Costs</b>		<b>1,000,000</b>	<b>Existing Staff</b>	<b>A</b>	<b>380,000</b>

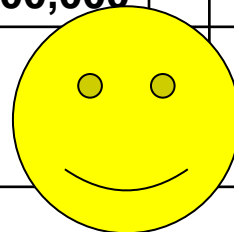




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<b>Total Costs</b>		<b>1,000,000</b>		<b>Existing Staff</b>	<b>A</b>	<b>380,000</b>
				<b>B / A =</b>		<b>105%</b>



# Building a successful budget

## Travel

- Budget for travel costs – think about the most **economical** and **environmentally friendly** forms of travel when budgeting
- Information required includes:
  - » Purpose of travel
  - » Destination
  - » Frequency
  - » Duration
  - » Number of people travelling
- Use internal subsistence rates

# Building a successful budget

## External assistance

- Project activities carried out by others outside the organisation (sub-contracting)
- Limited to 35% of the total budget
- E.g. contract to write a report / develop software / venue hire



# Building a successful budget

## Durable goods -equipment

- This refers to any equipment purchased by the project
- Follow internal rules – items which would be capitalised by your organisation
- Depreciation of the goods is eligible up to 50%– follow internal rules on depreciation
- Equipment purchased by public bodies for Nature and Biodiversity projects is 100% eligible
- Subsequent use must be for conservation purposes

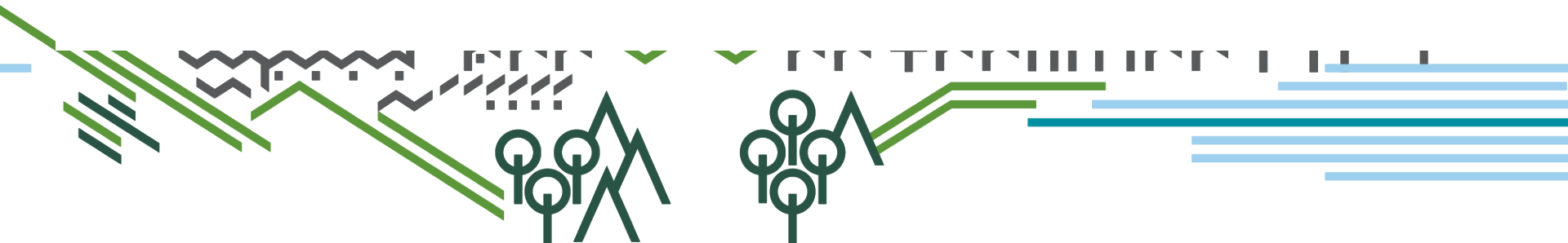




# Building a successful budget

## Land purchase

- Estimated cost per hectare
- Must submit a letter from competent authority or registered notary confirming that the price you have used is not above average for the type of land and location



# Building a successful budget

## Consumables

- Items purchase for the project that cannot be classed as durable
- Must be specifically for the project
- Must not be general supplies (i.e. printer ink, photocopies) – these are covered under overheads
- Must link the consumable to a specific action.



# Building a successful budget

## Other costs

- Anything else that can't be slotted into the above!
- Conference fees
- Audit costs
- Translation etc



# Overheads

## 7% flat rate for overheads

- Includes office costs, gas, electric, rent, telephone, support functions (finance)
- Includes mobile phones (recently disallowed on another project)
- Can charge 7% of all eligible costs (excluding land purchase)



# Building a successful budget



## A word about VAT...

- VAT is only an eligible cost if you cannot reclaim it and you need to be able to prove this
- Statement from auditor – may cost you extra!



# Building a successful budget

## Match funding

- Co-financing rate
  - » 60% for integrated and traditional projects
  - » 75% for priority habitats
- Your contribution must be clean funds – no double funding!
- Coordinating and associated beneficiaries are each expected to make a financial contribution



# Building a successful budget

## Match funding

- Staff time as match
- Work must be related to the project
- Additionality, must be able prove than the work would not have taken place if the project did not exist
- Note on employee contract to this affect
- Timesheets
- Match funding IS audited!

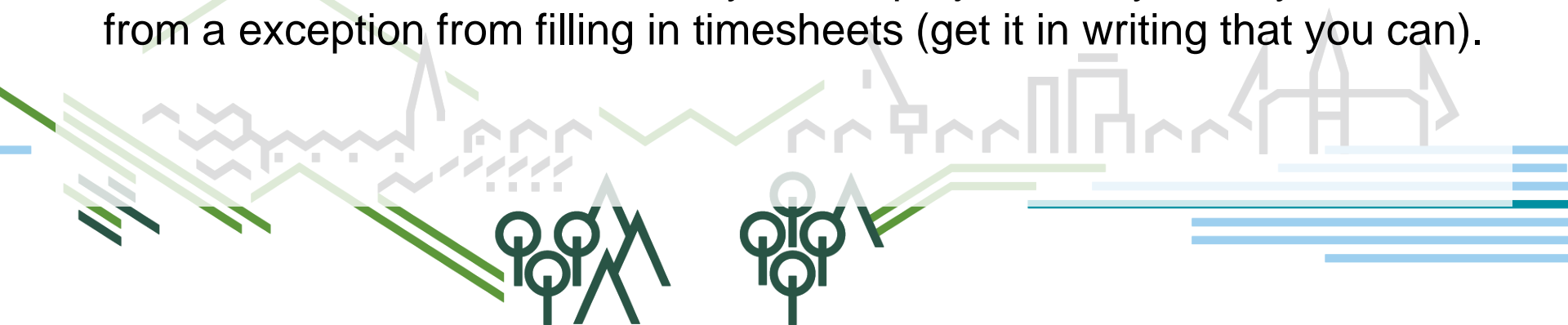




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# Audit proof your claims!

- Timesheets – make sure you do them!
  - Ensure staff are entering their time in decimal form i.e. 7.75 not 7.45
  - All timesheets must mention the project code
  - Signed by employer and employee IN GOOD TIME (i.e. within a week of the month end)
- Ensure that all staff have a note on their file mentioning that they are working on the LIFE project.
- The contracts of staff employed only for the project should not start before the project starts, or end after the project end date.
- If all staff are full time, exclusively on the project then you may benefit from a exception from filling in timesheets (get it in writing that you can).







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# Audit proof your claims!

## Invoices

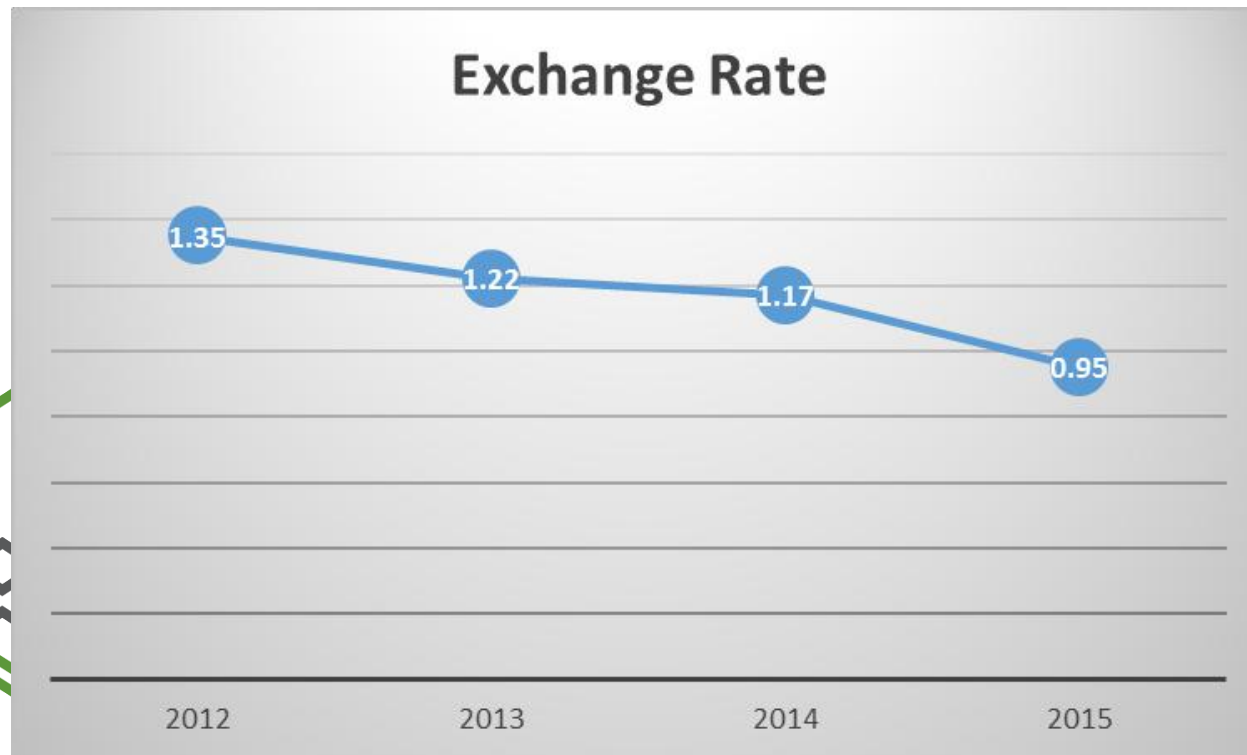
- All invoices must include your project reference number;
  - e.g. LIFE 11 NAT/UK/385
  - Ensure that you have the controls in place to ensure that invoices are not paid without proper checks
- Keep original invoices with the project, filed sequentially and referenced ready for audit
- Costs are only eligible if they have been incurred during the life of the project and must be paid before you submit the financial report.
  - Exception – audit costs





# General Principles

- All claims must be submitted in Euros, using the monthly accounting rate established by the Commission and published on its website
  - *Think about the currency risk, movements in the exchange rate will determine how much £ you have to spend!*



# General Principles

- You may transfer a maximum of 20% between budget categories
- If you need to transfer more then you must submit a modification request
  - Try not to have more than 2 during the life of your project
  - Involves resubmitting your application with all the changes



# Procurement

- Tendering rules:
  - *Must always demonstrate value for money and best value*
  - *No conflict of interest*
  - *Demonstrate transparency and equal treatment*
  - *If public organisation then follow internal and EU public procurement rules*
  - *If over €130,000 then must go out to public tender*
- Keep EVERYTHING



# Financial Recording & Claims

## Hints, Tips and Lessons Learned

- 2 or 3 claims throughout the life of the project, all use the standard statement of expenditure.
- Mid term claim is due when you have spent 150% of your initial pre-financing payment.
- Important to appoint an auditor before the mid term claim.



# Financial Recording & Claims

## An overview of the standard statement of expenditure (toolkit)

- Study the standard statement of expenditure and use the fields required to set up a spreadsheet with columns to capture all the information you need for the claim **as it is incurred**.
- For example (for travel & subsistence):
  - » **Category of expenditure**
  - » **Purpose of journey**
  - » **Location from and to**
  - » **Name of person travelling**
  - » **Which project action it relates to**

# Financial Recording & Claims

## An overview of the standard statement of expenditure

- Always assign each invoice or receipt with a reference number, helps to trace the document.
- Include a month and calendar year column in the spreadsheet, helps you to know which exchange rate to use.
- If you can capture the information for the claim as you go then you should be able to build yourself the claim quickly and easily by using pivot tables.



## Further information

- The LIFE website's Toolkit section contains a lot of useful guidance and templates:
- [http://ec.europa.eu/environment/life/toolkit/pmtools/lifeplus/financial\\_reporting.htm](http://ec.europa.eu/environment/life/toolkit/pmtools/lifeplus/financial_reporting.htm)
- Or google EU LIFE and select "Toolkit"





Thank you for listening and Good luck!!

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