



STRIVE

Science, Technology, Research &
Innovation for the Environment
Programme 2007 - 2013

Cleaner Greener Production Programme
– Phase 4

Financial Workshop April 2009

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Agenda

- ⊙ **Introduction to Cleaner Greener Production Programme (CGPP)**
- ⊙ **Available funding and funding rates**
- ⊙ **Financial Reporting and Drawdown**
- ⊙ **Eligible costs – some core principles**
- ⊙ **Eligible costs- some specifics**
- ⊙ **Expenditure specifically not allowed**
- ⊙ **Questions from the floor**
- ⊙ **Value Added Tax (VAT)**

Agenda

- ⊙ **Common Errors on Cost Statements**
- ⊙ **Audits – EPA & Other Interested Parties**
- ⊙ **Questions from the floor**
- ⊙ **Practical Demonstration: Financial Reporting Template**
- ⊙ **Questions from the floor**

Introduction to CGPP

- ⊙ The EPA launched the CGPP in 2001 as a grant scheme to encourage Irish organisations to implement cleaner, greener work practises. The philosophy of the programme is that prevention is better than cure.
- ⊙ To date the EPA over 3 Phases has committed €3.7million to 59 organisations that have received part funding for demonstration projects under this programme.
- ⊙ The long-term aim of the CGPP is *to try to ensure that cleaner greener production and eco-efficiency become the established norm in Ireland. The EPA hope that other business will learn from and build on past success stories and work towards CGPP’s tagline objective: “**Better Business in a Better Ireland**”.*
- ⊙ *CGPP4 will seek to reduce environmental impact across a range of activities and encourage greater participation from sectors outside the traditional production / manufacturing areas.*
- ⊙ STRIVE funds “not-for-profit” research
- ⊙ Reimbursement basis
- ⊙ Public good purposes

Available Funding

- ⦿ A budget of €2million has been allocated to Phase 4 of the CGPP.
- ⦿ The maximum amount of funding available is €200,000 per organisation.
- ⦿ Funding awarded under CGPP constitutes state aid and as such the EU “de minimis” rule is applicable. The current limit on the amount of state aid that may be paid to a company or other relevant entity is €200,000 within any 3 year rolling period.
- ⦿ Some exceptions to de minimis in very limited circumstances
- ⦿ The grant aid is provided up to a maximum limit of 75% of the total eligible project costs incurred – subject to applicant’s status.
- ⦿ The level of funding will vary between 25% and 75% depending on the nature of the organisation undertaking the project, the category of expenditure and eligibility of the costs incurred.



Funding Rates

	SME	Non-SME
Direct Costs Staff costs Consumables Travel Promotion and publicity Training External Assistance & Consultancy	75%	50%
Direct Costs Plant and Equipment	25%	25%
Indirect Costs calculated as 30% of Modified costs	75%	50%
Definition	EU Definition: Employees <250 Turnover <€50m or Balance sheet < €43m Independent	



Financial Reporting and Drawdown

- ⊙ Standard financial reports (Cost Statements) submitted 6 monthly:

Cost statement must be submitted within one month of reporting period end:

- ⊙ June Cost Statement (1st January to 30th June) submitted by **28th July**
- ⊙ December Cost Statement (1st July to 31st December) submitted by **28th January**

Financial Reporting and Drawdown

- ⊙ Standard EPA CGPP Excel template must be used
- ⊙ Each participant must prepare individual Cost Statement
- ⊙ Project co-ordinator is responsible for collating completed Cost Statements from each participant/partner in the project.
- ⊙ Advance payment normally of 35% (can be up to 50%) of the approved grant funding for CGPP based grant awards.
- ⊙ Further 30% (15% if 50% advanced) of funding is paid on the basis of submitted claims for cumulative reimbursement of monies previously expensed. Reimbursements will normally be made twice a year provided that six-monthly technical and financial progress reports have been accepted and approved.
- ⊙ Balance **35% retained** until such point in time as all technical/scientific deliverables are met and project is deemed to be completed satisfactorily.

Eligible Costs - General Principles

- ⊙ ***Over-riding principle: “wholly exclusively and necessarily incurred”***
- ⊙ ***Costs must be:***
 - ⊙ ***Actual***
 - ⊙ ***Relate to expenditure on the CGPP project***
 - ⊙ ***Reasonable and wholly necessary for the CGPP project***
 - ⊙ ***Incurred and paid during the duration of the CGPP project***
 - ⊙ ***Incurred solely to advance the project***
 - ⊙ ***Where shared, proportionate to benefit derived***
 - ⊙ ***In accordance with usual accounting principles***
 - ⊙ ***Recorded in accounts***
 - ⊙ ***Exclude any profit***
 - ⊙ ***Where the organisation is VAT registered, costs should be shown at the VAT exclusive cost.***

Eligible Costs: Labour / Personnel

- ⊙ **Staff Costs – Implementation, Monitoring, Reporting, Training & Publicity**
 - ⊙ Up to 100% of staff costs
 - ⊙ Includes existing permanent staff and additional staff recruited specifically for the project
 - ⊙ Person day costs = actual salary + Employers PRSI + Employers Statutory Pension Contribution
 - ⊙ Pension must be to defined pension scheme on behalf of the employee (must be supported with documentation from pension fund)
 - ⊙ Salary costs must be based on actual pay rates.
 - ⊙ Subject to the provision of verifiable time sheets for all “relevant staff”
 - ⊙ Relevant staff are those spending < 100% of their time on the project
 - ⊙ For staff working exclusively on the project and spending 100% of their time must prepare “time declaration” for each reporting period



Eligible Costs: Labour / Personnel

- ⊙ **Only costs of actual hours worked on project may be charged**
- ⊙ **Example calculation:**

• Annual salary	€30,000
• Employers pension cont. (10%)	€3,000
• Employees pension cont. (5%)	€1,500
• Employers PRSI (10.75%)	€3,063.75 (30000-1500) x 10.75
• Total Salary costs	€36,063.75
• Yearly Productive Days	214 (accepted EU average)
• Staff cost rate per hour	$36,063.75 / 214 / 7 = €24.075$
- ⊙ **Costs must be based on payroll records for the organisation**



Eligible Costs - Durable Equipment

⦿ Durable Equipment:

- ⦿ “The purchase of durable equipment, when acquired based on best price and in compliance with Public Procurement Guidelines, is considered to be an eligible cost”
- ⦿ Life expectancy not less than duration of the project
- ⦿ Capitalised and depreciated by contractor
- ⦿ Acquired specifically for the project
- ⦿ Must be justified in the proposal

CGPP should not be viewed as a source of capital funding. A good balance is required between the cost categories. This factor will be taken into account during the evaluation of proposals.

Eligible Costs - Durable Equipment

- ① The grant aid for this category is a maximum of **25%** of the cost of the plant / equipment.
- ① Second-hand equipment is eligible for grant aid provided such equipment has not previously been the subject of any other sources of funding. Participants must be able to demonstrate that such equipment has not been funded from other sources.



Eligible Costs - Consumables

- ⊙ **Consumables:**
 - ⊙ **“Purchase, fabrication, repair or use of any materials, goods or equipment and software which”:**
 - ⊙ Not included in fixed asset register
 - ⊙ Not treated as capital expenditure i.e. Balance Sheet
 - ⊙ Short useful life < duration of project
 - ⊙ Where consumables are normally treated as indirect costs then cannot be charged as direct e.g. stationery
 - ⊙ Off-the-shelf software and personal computing equipment (including laptops) costing < €10k are deemed consumables and are reimbursable at 50 / 75% rate.

Eligible Costs - Travel

- ⊙ **Travel Costs:**
 - ⊙ Rates used should be an agreed Revenue Rate or Civil Service travel and subsistence rates
 - ⊙ Important to note that Civil Service Travel & Subsistence rates have been reduced by 25%
 - ⊙ Limited to actual cost
 - ⊙ Monthly expense claim submitted by staff member and paid by company
 - ⊙ Reimbursed by EPA
 - ⊙ Signed and approved in normal manner
 - ⊙ Rate per mile clearly stated - not in excess of civil service mileage rates
 - ⊙ Prior approval of EPA only required for travel to any destination outside the EU

Eligible Costs – Promotion & Publicity, External Training

- ⊙ **Promotion & Publicity:**

- ⊙ A budget should be allocated for publicity events to be undertaken by the company. This includes a budget for the production of a 3 – 4 page case study report at the end of the project.
- ⊙ EPA will bear the cost of printing and copy-editing.

- ⊙ **Training:**

- ⊙ Cost of external training may include the relevant course fees or trainer costs incurred by the participant.

Eligible Costs - Indirect Cost / Overheads

- ⊙ **Overheads:**

- ⊙ 30% of eligible modified costs
- ⊙ Modified costs = eligible costs excluding durable equipment and external assistance/sub-contracts

Eligible Costs - External Assistance

- ⊙ **External Assistance / Subcontracts / Consulting**
 - ⊙ Costs of subcontracts and services are allowable as external assistance
 - ⊙ Specifically services not available within the participating project partners
 - ⊙ Such sub-contracts should be awarded and concluded in accordance with normal Public Procurement procedures
 - ⊙ In general should not represent a significant element of overall budget
 - ⊙ Sub-contract arrangements between partners is ineligible



Items Specifically Not Allowable

- ⊙ **Any *profit*, interest or return on capital employed**
- ⊙ **Provision for future losses or liabilities**
- ⊙ **Interest owed**
- ⊙ **Bad Debts**
- ⊙ **Cost relating to projects financed by third parties**
- ⊙ **Patent / copyright costs**
- ⊙ **Resources received free of charge**
- ⊙ **Marketing, sales and distribution costs for products / services**
- ⊙ **Unnecessary or ill-considered expenses**
- ⊙ **Entertainment or hospitality expenses except those reasonable expenses accepted as wholly and exclusively necessary for the project**

Adequate Supporting Documentation & Proof of Payment

- ⊙ Invoices
- ⊙ Receipts
- ⊙ Flight ticket stubs
- ⊙ Timesheets / Time declaration
- ⊙ Conference papers
- ⊙ Technical journals / publications
- ⊙ Contracts of employment
- ⊙ Payslips
- ⊙ Pension documentation
- ⊙ Bank statements - paid cheques
- ⊙ Visa statement and paid direct debit
- ⊙ Public procurement documentation

Questions from the floor



Value Added Tax (VAT)

- ⊙ **Two scenarios can arise:**

I. Recoverable VAT

- ⊙ all claims for reimbursement must be made on the basis of the **net amount** of invoices included in the Cost statement.
- ⊙ in this instance the related VAT is reclaimed through the normal VAT system as set down by the Revenue Commissioners

II. Non Recoverable VAT

- ⊙ where the participant has not and will not be able to recover VAT paid for the purpose of the project then the VAT element becomes an allowable cost and all costs should be included as the gross amount

Common Errors on Cost Statements

The following are a number of common issues identified in previous programmes. This list is meant as a guideline and is by no means an exhaustive listing.

⊙ Capital Equipment:

- ⊙ Personal computing items treated as consumable in participants' financial records claimed as equipment - should be consumable
- ⊙ For item to be capital useful life can't be < period of the project
- ⊙ Equipment only used for 50% of time on this project and full amount claimed- only 50% of the relevant cost or depreciation charge can be claimed.

Common Errors on Cost Statements

⊙ Staff Costs:

- ⊙ Incorrect PRSI rate used in calculating labour rate
 - ⊙ Employers PRSI is a legitimate cost when calculating an applicable labour charge: On salaries up to €18,980 the Employers PRSI applicable is only 8.5%. For salaries in excess of €18,980 the rate is 10.75%.
- ⊙ Traditionally staff costs should be based on productive hours - average number of hours available by an employee in a year after deduction of holiday, sick leave and other entitlements:
 - ⊙ E.g. $\text{Salary Rate per Hour} = \frac{\text{Salary total costs}}{\text{Productive hours}}$
 - ⊙ Productive hours = 214 days x 7 hours per day = 1498 productive hours per year (124.9 hours per month)
 - ⊙ Hours worked = as recorded on timesheet

Common Errors on Cost Statements

- ⊙ **Overheads:**
 - ⊙ Incorrect overhead recovery rate used in Cost Statements
 - ⊙ Overhead charge is included to reimburse the participant for administrative costs incurred such as: Light & heat, insurance, stationery, secretarial, computer time etc. **Can't claim twice.**
- ⊙ **Consumables:**
 - ⊙ Where a claim for consumables is made it must be reasonable and should not include costs normally recovered by the relevant overhead rate
 - ⊙ Off-the-shelf software is a legitimate consumable expense
- ⊙ **Other Costs:**
 - ⊙ Cost of work permit claimed in error - ineligible cost

Common Errors on Cost Statements

- ⊙ **Travel & Subsistence:**
 - ⊙ Travel costs for attendance at interviews included in error
 - ⊙ Advances of expenses claimed in error - ineligible
- ⊙ **Sub-contracts / External Assistance:**
 - ⊙ Only where the necessary expertise / service can not be acquired using the skills of the existing participants should a claim under sub-contract be made
 - ⊙ Where applicable number of days and rates per day should be provided to establish reasonableness
 - ⊙ Costs of participants should not also be included in sub-contractors – should be one or the other
 - ⊙ Sub-contract between partners is not permitted

EPA Requirements to Audit

- ⊙ **Standard applied is drawn from EU Guidelines**
- ⊙ **Member states shall organize controls of projects on an appropriate sampling basis designed to:**
 - ⊙ verify the effectiveness of the management's and control systems in place:
 - ⊙ verify selectively, on the basis of risk analysis, expenditure declarations made at the **various levels concerned**.
- ⊙ **These controls should effectively cover @ least 5% of “total eligible expenditure” and a representative sample of the projects covered by the programme.**



Responsibilities of Project Coordinators

- Audits

- ⊙ **Must make available all pertinent information in whatever format it may be held:**
 - ⊙ invoices
 - ⊙ bank statements
 - ⊙ cheque stubs
 - ⊙ lodgement books
 - ⊙ computer printouts
 - ⊙ access to computer programs e.g. accounting software and data files
 - ⊙ access to payroll/salary/pension records
 - ⊙ details of personnel involved, responsibilities etc.
 - ⊙ details of authorisation and payment procedures
 - ⊙ technical publications or published papers

Responsibilities of Project Coordinators - Audits

- ⊙ All information is normally requested in advance to facilitate the planning
- ⊙ The grantee will be expected to make available key personnel
- ⊙ The project co-ordinator should make themselves available for the duration of the audit
- ⊙ The grantee will be expected to make available finance staff
- ⊙ Details of any technical publications or papers presented is normally requested
- ⊙ Documentation to support compliance with public procurement policies and procedures

Questions from the floor



Financial Reporting Template



Thank you from the team

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