

Euros, Pounds, NOKs and SEKs

Managing BESST and the BESST budget

A Management Framework

In “Money (That’s What I Want),” the Beatles sang: “the best things in life are free” – and many of the outcomes of BESST are impossible to put a price on. However, BESST was not “free” of costs and it would be impossible to manage any international project like this without a clearly understood Legal and Financial Framework. The Interreg Programme specifies the financial framework. It also advises the Partners to draw up a Legal Agreement between themselves setting out the working arrangements but it does not advise on any particular form of Agreement. This is up to the Partners. The BESST Legal Agreement was based on the Agreement for another Interreg Project (FLOWS) managed by Cambridgeshire County Council and we are grateful for their help.

In January 2004, after BESST had been approved by the Interreg Programme, a Grant Offer Letter (GOL) was issued by the Interreg North Sea Programme Secretariat (its office is located in Viborg, Denmark). This was based on the application submitted by the BESST Partnership in August 2003 in which the Partners explained what was intended to be done, the proposed working arrangements and the proposed budget. This GOL forms the contract between the Interreg Programme and the Lead Partner. It includes reference to a series of ‘Factsheets’ produced by the Secretariat setting out the Interreg rules and procedures. The GOL is enforceable by the Secretariat against the Lead Partner.

The BESST Partnership Legal Agreement specifies the working arrangements for the project as a whole and for each of the Partners. It places a particularly onerous role on the ‘Lead Partner’ (for BESST this is the Peak District National Park Authority), who is responsible for co-ordinating and managing the project as a whole and ensuring the financial and other regulations are followed by all the Partners. This Agreement is written in English and is enforceable through the English courts if necessary. The Partnership Legal Agreement also protects the Lead Partner against poor performance by any of the other Partners.

Reports and Claims were prepared every six months. Each Partner prepares its own report on its activities and submits a claim for reimbursement of expenditure to the Lead Partner. The Lead Partner takes all this information and adds material on the management of the project as a whole to form an ‘Activity Report’ on recent achievements and the intentions for the future. BESST, like all Interreg projects, had to have a strong ‘transnational’ element – it could not simply be work

carried out independently in three different countries. BESST was a combination of work in each country based on common, agreed themes (page 21) linked to a more intense collaboration by working together. For BESST this included the six monthly Exchanges (see page 15), the shared publicity (see page 90), and the joint website and e-marketing (see page 80).

The BESST budget

The BESST project budget, like all Interreg finances, is in Euros. The budget was specified in the GOL and the Interreg proportion of this budget (at 50%) cannot be increased. We had to manage all activity in the three countries over five years, keeping within that budget. In managing the budget we had to deal in four currencies: the Euro, the British Pound, Swedish Kronor SEK and Norwegian Kroner NOK. For BESST to achieve its potential we also had to generate supplementary funding for specific projects (see page 98).

As with any experimental project, we weren’t sure exactly how realistic the apportionment of expenditure made in 2003 was likely to be in reality. Interreg rules allow for minor changes of up to 10% of an individual budget line as long as the changes are justified and the Secretariat kept informed. In addition to such minor changes, more major changes (above 10% of any budget line) have to be approved in advance by the Secretariat. BESST had three major budget revisions of this type as circumstances changed. We justified the changes on the basis that they were imperative to the achievement of the originally predicted outputs and outcomes of the project. These changes were all approved.

The table on the next page shows the revised Interreg approved budget for the BESST Project at July 2007. The final accounts will be prepared later in 2008, after BESST has ended. These final accounts will be subject to a thorough audit as well as separate scrutiny by the Secretariat before the final claim is paid. The costs of this BESST Book form part of the final claim and for this reason alone we cannot include the actual final costs here. However it is unlikely there will be a significant difference between Budget line 12 below and the actual final audited BESST accounts.

Revised Apportionment of Expenditure, July 2007

Expenditure in Euros	PDNPA	HYLTE	FYRESDAL	UNIVERSITY	TOTAL
1. External experts and consultants	0	133,000	45,019	0	178,019
2. Temporary staff		included in 3.			
3. Permanent staff	419,000	275,000	218,656	32,184	944,840
4. Travel and accommodation	81,505	48,000	81,236	1,710	212,451
5. Meetings, conferences, seminars		included in 4			
6. General costs	63,226	31,000	14,986	9,564	118,776
7. Promotion and publications	96,745	113,000	75,861	38,542	324,148
8. Material investments	855	0	4,301	0	5,156
9. Audit	5,000	11,000	2,866	6,000	24,866
10. Other - BESST Dev Fund	171,669	59,000	61,000	0	291,669
11. Irrecoverable VAT	0	0	75	0	75
12. Total eligible expenditure	838,000	670,000	504,000	88,000	2,100,000
13. Ineligible expenditure	24,000	120,000	120,000	0	480,000
14. Total Expenditure	1,078,000	790,000	624,000	88,000	2,580,000

1. External experts and consultants – consultancy costs. For Hylte this includes the cost of Bo Tengnäs, an international development expert whose work with BESST has been invaluable.

2 + 3. Staff costs – covers the costs of the Partners staff working on the project. In addition to the BESST Project management and administration staff it includes an impressive array of skilled people such as designers, illustrators, photographers and archaeologists.

4 + 5. Travel and accommodation – includes the cost of holding six monthly transnational project team meetings and business exchanges as well as local travel expenses.

6. General costs – the cost of office accommodation for project staff, based on real costs with calculations related to external invoices.

7. Promotion and publications – this line includes the costs of developing and managing the BESST website as well as producing and printing leaflets and signs.

8. Material investments – the cost of IT equipment used on the Project.

9. Audit – the costs incurred by an auditor in each country who must be independent of the project management and needs to certify every claim. It also includes the predicted costs of the final audit of the project as a whole.

10. BESST Development Fund – investments in small-scale infrastructure projects such as walking and cycling trails, walking and fishing guides.

11. Irrecoverable VAT – as public authorities are VAT registered normally all VAT paid is recovered. This budget line is to cover circumstances where it was impossible to recover VAT.

12. Eligible expenditure – to be eligible, costs must be directly

linked to the approved budget and must have been incurred in pursuing activities described in the approved application. Expenditure is 'eligible' only when it has actually been paid out.

13. Ineligible expenditure – this is the private and public investment that is not linked to the formal Interreg funding towards BESST. Originally estimated at €480,000, it has far exceeded this prediction (see page 97). In total it is likely to be around €2.2 million (see page 98) Because none of this expenditure is eligible for 50% recovery from the Interreg programme it has not been necessary to record the amounts precisely and lines 13 and 14 do not form part of the audit of BESST. Much of this ineligible expenditure is the value of the time put into the project by private individuals and this is impossible to measure accurately.

14. Total expenditure – the addition of the expenditure that is termed 'eligible' (line 12) and 'ineligible' (line 13).

Lessons learned Funding

The Interreg grant is 50% of eligible expenditure up to the totals specified in the approved budget (line 12). The other 50% has to be generated by the Partners. In the Peak District, 25% of the funding came from the Office of the Deputy Prime Minister (UK Central Government) and the remaining 25% was provided by the National Park Authority. In Fyresdal, the Kommune contributed the full 50% matched funding. In Hylte, 40% came from the Kommun and 10% from the Swedish Government.

In practice supplementary funding had to be generated as explained above – in Interreg terms this is all 'ineligible' because the Interreg eligible budget is fixed and cannot be exceeded.

Lesson Be as clear as possible on the likely scale of the project in advance but if the activity being generated exceeds this prediction then find new ways to finance it.

Managing currency exchange

Every six months the Partners compiled their own expenditure reports based on their internal accounting procedures. These were then converted from national currencies to Euros and added together in a claim to the Secretariat. Payment was received from the Interreg Secretariat a few months later, converted from Euros to pounds and paid to the Lead Partner. The payment due to Hylte and Fyresdal was then converted to their national currencies and paid to them. The method of calculating exchange rates is specified in the GOL and the Partner Legal Agreement. This meant that in practice the Partners kept two budgets, one in their national currency and one in Euros. Unfortunately with the movement of currencies against each other over time the value of the budget might be less than originally expected. Certainly the reducing value of the pound against the Euro since 2003 meant the Peak District ended up with fewer pounds for its Euros.

Lesson Perhaps the BESST accounts should have been kept in Euros by all the BESST Partners and with all transactions between the Partners and the Secretariat in Euros.

Common costs

Included in the budget are costs incurred by the Peak District National Park Authority in carrying out Lead Partner responsibilities and other activities on behalf of the partnership. These costs were divided between the Partners as specified in the Legal Agreement. In practice more work was required than anticipated in 2003.

Lesson The role of the Lead Partner is onerous and time consuming. Allow for this and ensure the costs are shared between all the partners because the work is for the benefit of the whole partnership.



Jesper Jönsson and Erik Fuglsang from the Interreg Secretariat on the Article 4 inspection in the Peak District (May 2007)

Relationships with the Secretariat and between the Partners

The Secretariat is responsible for EU expenditure and is accountable to the European Commission. All the Partners are small Local Authorities with their own accountability rules and procedures. It was essential to have a trusting relationship between everyone involved and we achieved this. The Partner Legal Agreement and the GOL were essential guides for ensuring everyone kept to their own obligations.

The role of the Lead Partner is crucial in....

- ✿ Driving the whole project forward and co-ordinating the necessary adjustments as the project develops.
- ✿ Ensuring work by all the Partners contributes to the project as a whole and ensuring corrective actions where necessary.
- ✿ Maintaining good working relationships with the Secretariat (eg ensuring prompt and accurate Activity Reports and six-monthly claims). Regular attendance at Lead Partner Seminars is also vital.

Lesson The project documents (like the Partnership Legal Agreement) are essential but they are only a part of the story. Success depends on establishing and maintaining mutually trusting working relationships.

BESST Practice

- ✿ Establish a trusting relationship between the Partners at the start and ensure it is maintained through all the difficulties any experimental project is sure to encounter.
- ✿ Understand the Interreg rules and procedures and establish and maintain a trusting personal contact with the Secretariat. They want the project to work as well but they have rules and procedures that have to be followed.
- ✿ Set in place clear written documentation on the project's rules and procedures from the start so that everyone knows what is expected (eg a Partnership Legal Agreement).
- ✿ Meeting regularly face-to-face is the essential method to achieve trusting relationships.
- ✿ Maintain regular dialogue between the participants. The working language was English and the fact that all the key people had an excellent understanding of English was very important. Email has been a vital tool to maintain contacts between meetings.