**Circular No:** **03 - 2021**

**From:** **LEADER Policy and Operations Unit**

**To:** **All LAGs and Implementing Partners, Article 48 Checking Body**

**Date Issued:** **26/03/ 2021**

**Subject:** **New process re independent verification of the reasonableness of LAG administration costs**

Following on from Circular 01/2021, which outlined that the Department is required to introduce a new process for the independent verification of the reasonableness of administration costs in accordance with Article 48(2) (e) of EU Regulation 809/2014, the Department is amending the process.

This updated Circular, Circular 03/2021 replaces the previously published Circular 01/2021.

The new updated process, will apply in the following instances:-

1. Salary costs – where an existing LEADER staff member is being replaced by a newly recruited staff member,
2. Salary costs – the introduction of a new post/role for the delivery of the LEADER Programme, the assessment has to be carried for the first instance of the new post/role only. If a staff member is assigned to a role in LEADER on a temporary basis the assessment needs to be carried out the first time but any subsequent periods that the staff member is assigned to the LEADER role does not need to be assessed.
3. Non-salary costs – Administration costs associated with goods[1] and services procured, such as but not limited to, electricity, telecommunications, water, rent, cleaning services, printer/photocopier services.

From the date of issue of this Circular, it will be necessary for the Department to independently review new cost items at their inception and make a determination as to the reasonableness of these costs. The undertaking of this independent verification by the Department will be included as part of the Article 48 administrative checking process carried out by Pobal.

Where the proposed cost is not deemed reasonable by the Department, the beneficiary[2] will be permitted to include in their Monthly Expenditure claims only costs up to the level that has been deemed reasonable by the Department. If the beneficiary is dissatisfied with the determination

[1] Goods with an individual value of less than €1,000 are excluded from this new process.
[2] For the purposes of this Circular the term beneficiary refers to the LAG, Implementing Partner, Lead Financial Partner or Animating Partner as appropriate to the situation.

as to the reasonableness of the proposed costs, it may appeal the decision to the Department's Appeals Panel.

The new process requirements are set out in Appendix I of this Circular.

Your cooperation with the introduction of this new process is appreciated.

Any queries regarding the new process may be forwarded to OR1420@drcd.gov.ie

**LEADER Policy and Operations Unit**

## Appendix I

1. **<u>New process for verifying the reasonableness of beneficiary salary costs</u>**

Included in this process are staff costs associated with the replacement of an existing staff member and staff costs associated with the introduction of a new post for the delivery of the LEADER Programme where the salary or a portion of the salary will be charged to the LEADER Programme.

**Steps to be followed where the beneficiary identifies the need to recruit a new staff member or to introduce a new staff role.**

1. In advance of commencing recruitment process, the beneficiary must forward the following details to DRCD by e-mail to OR1420@drcd.gov.ie putting "Reasonableness of Cost" in the subject title of the e-mail, so that an independent assessment of the reasonableness of the costs can be assessed;
    a. Job description;
    b. Proposed salary scale;
    c. Starting point on the salary scale.

2. DRCD will review the documentation provided and carry out an independent evaluation to establish if the costs are reasonable. This independent evaluation may include, but is not limited to, comparison of the role based on the job description with similar Public Sector Grades, comparison of proposed salary scales with Public Sector Grade Pay Scales, similar costs incurred by other LAGs and their partners for comparable roles.

3. DRCD will provide written confirmation to the beneficiary as to the reasonableness of the costs which must be retained by the LAG/IP on the LEADER IT system and hard copy file.

4. The beneficiary undertakes the necessary recruitment process;

5. When the cost is included in a Monthly Expenditure claim for the **first time**, the LAG and/ or IP through the LEADER LAG/IP User role:-
    a. Adds the details of the item to the LEADER IT system;
    b. Includes a comment in the 'Notes' section to the effect that a new cost item has been included;
    c. Uploads the relevant supporting salary documentation; and
    d. Uploads the written confirmation regarding the reasonableness of the costs from DRCD.

6. The Article 48 Checker must confirm that evidence of the independent assessment by the Department has been provided.

7. A new mandatory Article 48 Checklist question will be created on the LEADER IT system along the following lines;
    a. Have any new cost items been included in this claim? Y/N,
    b. If yes, has an independent assessment of the reasonableness of costs been provided? Y/N.

**2. <u>New process for verifying the reasonableness of non-salary administration costs.</u>**

Included in this process are costs associated with services procured by the beneficiary such as but not limited to electricity, telecommunications, water, rent, cleaning services, printer/photocopier services.

It is the responsibility of the beneficiary to ensure that the appropriate procurement rules are followed when securing the services.

**Steps to be followed where the necessity to secure a new goods or service contract is identified by the beneficiary:-**

1. The beneficiary undertakes the necessary procurement process based on the value of the proposed contract ensuring that the process undertaken is in line with Section 15.4 of the LEADER 2014-2020 Operating Rules – National Procurement Guidelines – Category 1 and any subsequent Circulars that may be issued in this regard.

2. In advance of entering into the new contract, the beneficiary must forward the details of the proposed cost along with the supporting procurement documentation to DRCD by e-mail to OR1420@drcd.gov.ie putting "Reasonableness of Cost" in the subject title of the e-mail, so that an independent assessment of the reasonableness of these costs can be undertaken,

3. DRCD will review the documentation provided and carry out an independent evaluation to establish if the costs are reasonable. The independent evaluation may include, but is not limited to, research of the market for similar services, a comparison of similar costs incurred by other beneficiaries or costs incurred for similar services funded through other funding programmes,

4. DRCD will provide written confirmation as to the reasonableness of the costs to the beneficiary which must be retained by the LAG/IP on the LEADER IT system and hard copy file,

5. When the cost is included in a Monthly Expenditure claim for the **first time**, the beneficiary through the LEADER LAG/IP User role:-
    a. Adds the details of the item to the LEADER IT system;
    b. Includes comment in the 'Notes' section to the effect that a new cost item has been included;
    c. Uploads the relevant invoice; and
    d. Uploads the written confirmation regarding the reasonableness of the costs from DRCD.

6. The Article 48 Checker must confirm that the evidence of the independent assessment by the Department has been provided.

7. A new mandatory Article 48 Checklist question will be created on the LEADER IT system along the following lines;
    a. Have any new cost items been included in this claim? Y/N,
    b. If yes has an independent assessment of the reasonableness of costs been provided? Y/N.