

The Hitchhiker's Guide to the

Financial Rules and Management of Horizon 2020 Projects

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5-6 June 2018
CERN - Gevena, Switzerland

Chapters

1. The Basics
2. The Practicalities
3. The Easy stuff...



DON'T PANIC

(and carry a towel)

Opening

What do we want to achieve?

- **Deliver the key messages** on the Horizon 2020 financial rules and management, following initial lessons learned from applying the new and existing financial aspects.
- Reinforcing our knowledge on the **basic principles of financial management**.
- Sound and **practice-based vision on the eligible costs** of activities financed under H2020.
- Hands-on approach on **how to calculate the eligible project costs**.
- Highlighting **typical errors and mistakes** throughout the project lifecycle: from budgeting until EC audits.

Chapter 1: The Basics

Simplification?

How does the AMGA work?

- The financial, legal and administrative rules and regulations are now described in a “Guideline” for all Horizon 2020 Programmes called the “Annotated Model Grant Agreement” (AMGA)
- The most actual AMGA (now version 4.1) can be downloaded at:
http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/amga/h2020-amga_en.pdf



H2020 Programme

AGA – Annotated Model Grant Agreement

Version 4.1
26 October 2017

Disclaimer
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Be aware of the frequent update of the AMGA
(always valid with a retroactive effect!)

Why should I read all these now?

Without knowing the rules set here, one cannot develop a decent budget →

Without a decent budget, one cannot ensure
effective financial management of the project →

Without effective financial management, one may fail →

By failing, one (and many more....) will be disappointed!

After reading, impressions in a nutshell:

- **'No negotiation'** policy on the Grant Agreement or Annex 1 (DoW/DoA) → no financial comments or cuts (?) by the evaluators or by the EC
- **Easy-to-understand rules**, clear and concise, but need certain time to understand how exactly to use them!
- **New forms of funding** such as pre-commercial procurement, inducement prizes, dedicated loan and equity instruments
- **Simplified cost reimbursement system** with enhanced use of lump sums, flat rates and scale of unit costs.
- The Budget in the GA is defined as **"Estimated Budget"** - see Article 4.1
- Even easier **budget transfers** than before? See article 4.2

After reading, impressions in a nutshell:

- **“One project - One rate principle”** The funding rate is the same for the entire project, but can vary between legal entities!
- **No cost models:** full actual (or unit-based) direct costs reporting with an additional 25% flat-rate indirect costs model for all entities
 - For direct costs: Standardized personnel costs calculation rules with the new **“Additional remuneration”** scheme allowing additional salary compensations as **eligible up to EUR 8,000 per year** and per person; clear and straight-to-the-point requirements for other costs like: travel, equipment, infrastructure, other services; quite complicated approach though on any third-party involvement
 - For indirect costs: 25% flat-rate on top of the direct costs, excluding subcontracting (and other minor elements)
- Non-deductible **VAT is now eligible**



No joint financial responsibility but joint technical responsibility!

Basic financial principles in the context of H2020

Rule #1:

We are spending the “Taxpayers’ money”: Horizon 2020 is a public grant!

As a minimum, all parties must respect the principles of good accounting and “housekeeping” as set by their own national legislation.



Basic financial principles in the context of H2020



Cost or Price?

Rule #2:

Profit cannot be directly generated on any action funded under H2020

It's a cost reimbursement model, up to the funding rate set by the EC!

- Only the verifiable and actual cost of a particular good/service/staff member can be reported to the project
 - i.e.: no internal rate or internal price**
- Excluding any estimates, averages, foreseen or budgeted items!
- Internal invoicing - **possible but special attention required**

Example

1. **Costs of a project meeting in a hotel:** eligible when the meeting and resources for it costs were foreseen
2. **Charging the internal rate for using the Beneficiary's own meeting facility:** ONLY eligible if costs can be tracked and verified!

Basic financial principles in the context of H2020

Rule #3:

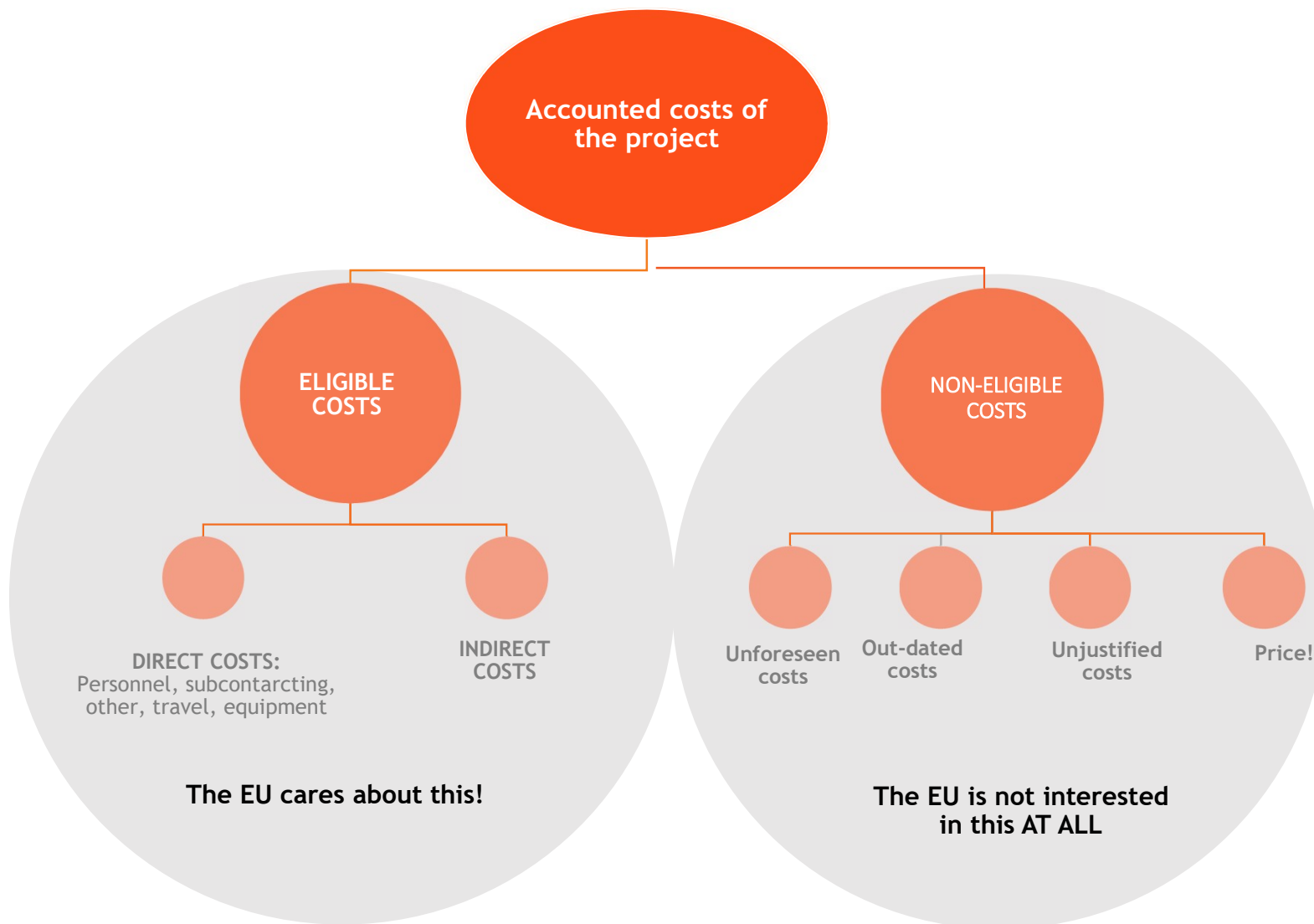
All costs to be reported to the project must be: **ELIGIBLE**



What makes a cost eligible?



Project costs vs. Eligible costs



The hierarchy of costs

1. Forms of Grants
2. Forms of Costs
3. General eligibility criteria for all costs forms
4. General rules for direct and indirect costs
5. Cost categories
6. Specific eligibility criteria and calculation routes for each cost categories

Hierarchy of costs

1. Forms of Grants in H2020

- Research & Innovation Actions (RIA), Innovation Actions (IA) and Coordination & Support Actions (CSA)
- Complementary Grants
- Jointly funded actions
 - Joint calls
 - Coordinated calls
- ERC Grants, including Advanced Grants, Starting Grants, Proof of Concept
- MSC Grants
 - ITN
 - IF
 - RISE
 - COFUND
- SME Instrument
 - Phase 1
 - Phase 2
- ERA-NET
- PCP-PPI
- EJP
- FPA - EIT - KIC

Hierarchy of costs

2. **Cost Forms** under H2020

Any costs reported must be one of the following:

Actual costs - for all Beneficiaries:

- Personnel costs
 - Employees, seconded employees, in-house consultants
- Subcontracting
- Other direct costs
 - Travel, equipment, other services, consumables
- Costs of providing financial support to third parties

Flat-rate costs - for all Beneficiaries:

- 25% flat-rate based overheads

Lump sum costs - only when foreseen:

- Usually for SME-Instrument Phase 1

Hierarchy of costs

2. Cost Forms under H2020

Any costs reported must be one of the following:

Unit costs - Only when foreseen!

- Personnel costs:
 - Average salary costs (set by the Beneficiary)
 - SME-owner rates (Set by the GA)
 - Natural persons rate (Set by the GA)
- Internally invoiced goods and services *NEW*
 - Internally means: within the Beneficiary's organisation, NOT between Beneficiaries
- Specific Unit Costs set by the EC or defined by the Beneficiary
 - Energy-efficiency measures (a.k.a. unit-scale flat-rates) (Smart Cities and Communities calls)
 - Access costs for providing trans-national access to research infrastructure (Research Infrastructure calls)
 - Costs for clinical studies (Heath Challenge calls)

Hierarchy of costs

3. What makes ANY cost **ELIGIBLE**?

- It is duly accounted in the Beneficiary's Profit & Loss Accounts

 Exceptions?

- Incurred during the implementation of the project

 Exceptions?

- In accordance with the Beneficiary's usual accounting and management principles

 Exceptions?

- In compliance with the relevant applicable national laws
- Foreseen in the project's budget
- Needed for and linked to the project's implementation
- Reasonable, justifiable - efficiency

Hierarchy of costs

3. Specific **ELIGIBILITY** criteria per cost forms

For **Actual costs**:

- It must be an actual costs from the P'n'Gs; not an estimated, budgeted, foreseen, or expected expenditure

For **Unit costs**:

- The unit costs are calculated according to the Beneficiary's accounting practices/principles, with a CONSISTENT manner!
- Example: Average personnel costs
 - Based on previous year's actual salary costs
 - Based on the actual productive hours
 - Verifiable calculation
 - Could be pre-approved by the EC by submitting a CoMUC
- The number of units are verified, and units are needed for the implementation of the project
- Unit costs and rates must be foreseen in the proposal and in the DoA!

For **Flat-rate costs**:

- 25% on the top of the eligible direct costs (EXCLUDING SOME...)

For **Lump-sum costs**:

- Only when foreseen by the EC/GA

Hierarchy of costs

3. What makes a cost non-eligible?

- **Not foreseen** in the proposal/GA (particularly the subcontracting!)
- Related to return on capital, debt and debt-service charges, future losses or debts
- Interest owed, future liabilities
- **Currency exchange** losses
- Bank costs charged by the Beneficiary's bank for receiving the transfers of grants from the EC
- **Excessive or reckless expenditure**
- Deductible VAT
- Cost incurred during suspension of the action
- **Double funding** - no costs shall be reported to 2 different projects!



Did you know? One cost could be split to 2 different actions!

Hierarchy of costs

4. What makes any costs **direct** costs:

Can be **directly linked** with the project

- The Beneficiary has to prove the link between the project and the costs
- Example: travel costs to Brussels - link: project meeting in Brussels, reported in the (periodic) reports

Can be **proportionated to the project**

- The Beneficiary must provide evidence on the “usage-rate”
- Example: salary cost of a staff member - timesheets show the link and help identify the involvement level

Hierarchy of costs

4. What makes any costs **indirect** costs:

Cannot be measured directly due to practical or administrative reasons:

- Overheads or running costs
- Equipment or staff costs, if cannot be proportionated or linked to the project
- Any other costs with no linked to the project (i.e. travel “forgotten” to be reported; Equipment fully depreciated, etc.)

Chapter 2: The Practicalities

Cost Categories

DIRECT COSTS:

Personnel cost

- Actual costs
- Unit costs

Subcontracting

- Actual costs only!

Providing financial support to third parties

- Actual costs only - only if foreseen!

Other direct costs, including

- Travel cost - Actual costs only!
- Equipment and infrastructure costs- Actual costs only!
- Other costs and services - Actual costs only!
- Costs of Large-scale infrastructure
- Internally invoiced goods and services ***NEW***

INDIRECT COSTS:

- 25% Flat-rate costs only

(Unit-scale) - Specific costs items

- Actual/unit/lump-sum - if foreseen and set by the EC

The table below summarises the different budget categories and forms of costs that may be used in H2020 actions under the General MGA:

Forms of costs	Budget categories					
	Direct personnel costs	Direct costs of sub-contracting	Direct costs of financial support to third parties (option used if Article 15 applies)	Other direct costs	Indirect costs	Specific cost categories (option used if Article 6.2 (F) applies)
Actual costs	YES	YES	YES	YES	NO	NO
Unit costs	YES, only for: -costs established according to the usual cost accounting practices of the beneficiary -costs of SME owners and natural persons not receiving a salary	NO	NO	NO	NO	YES, only if foreseen by Commission Decision
Flat-rate costs	NO	NO	NO	NO	YES	NO
Lump sum costs	NO	NO	NO	NO	NO	YES, only if foreseen by Commission Decision

Personnel costs - general

ACTUAL Personnel costs

- Employees or equivalent employment contracts
- Seconded employees
- In-house consultants

UNIT-based Personnel costs

- Average personnel costs - set by the Beneficiary
- SME owner rate - set by the EC/GA
- Natural person rate - set by the EC/GA



Actual personnel costs are calculated one by one, while unit personnel costs a unit rate is set up by using historical costs on staff members concerned!



Personnel costs - Employees

Who and what can be included?

- **WHO?** - Project personnel working at the Beneficiary and ASSIGNED to the Grant
- **WHAT?** - Basic salary plus all mandatory charges and taxes - but excluding any other costs (e.g. “internal overheads”!) paid for his/her USUAL work/duties



WHAT #2? - project based remuneration using “action reference” and “national project reference” is a new option for some beneficiaries



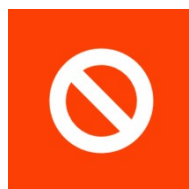
Personnel costs- Employees

Who and what can be included?



Eligible salary components:

- Usual gross salary stated on the payroll
- Social security contribution paid (a.k.a. charges paid by the employer)
- Taxes included in the remuneration
- Mandatory complements to the basic salary (*including 13th month salary or similar*)
- Variable components, when set at the Beneficiary's level (*including extra salary, must not be arbitrary*)



Non-eligible salary components:

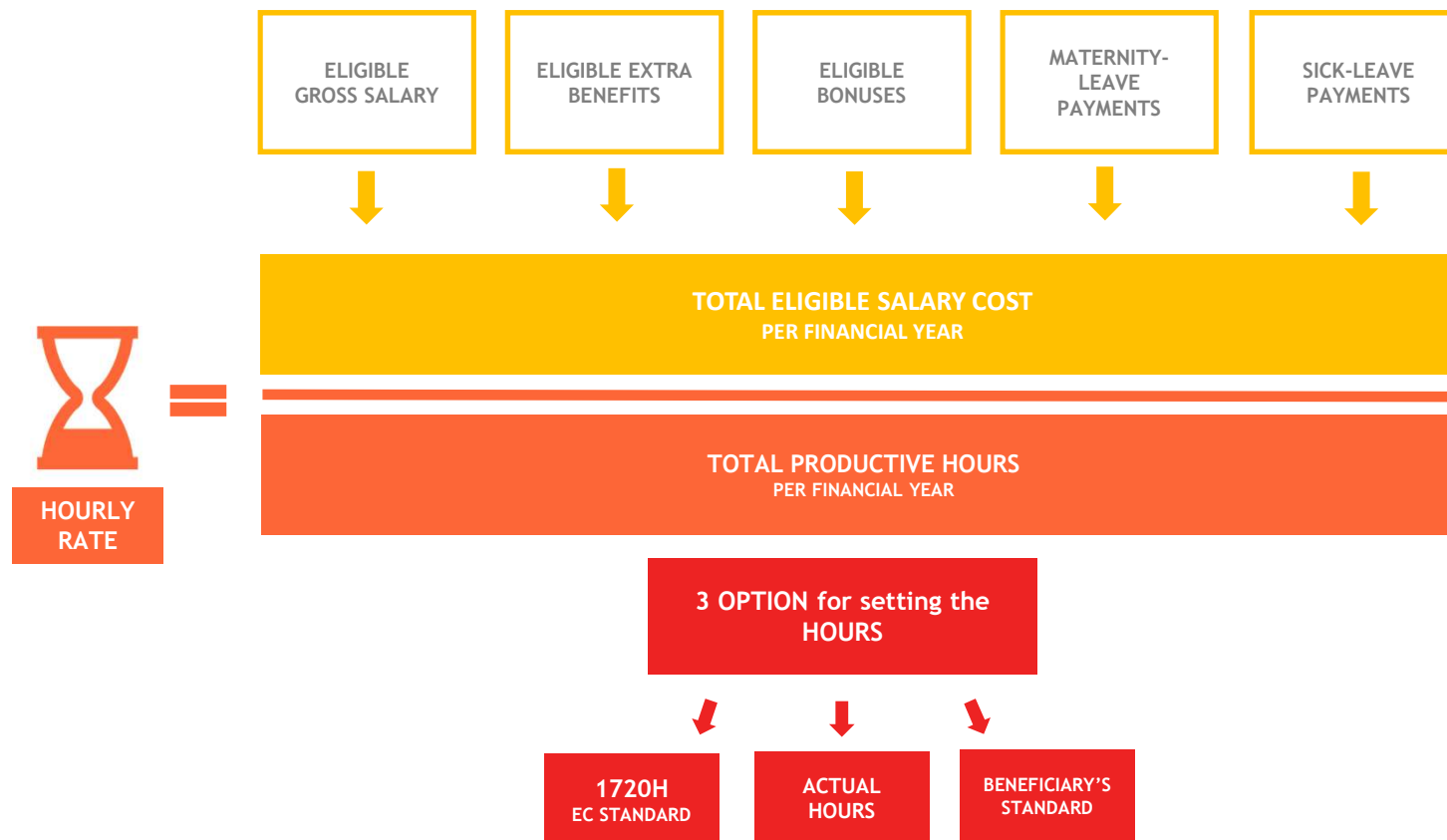
- Any salary component paid for working on the project ("triggered by the action")
- Recruitment costs/HR costs, etc.
- Internal overheads/Future liabilities



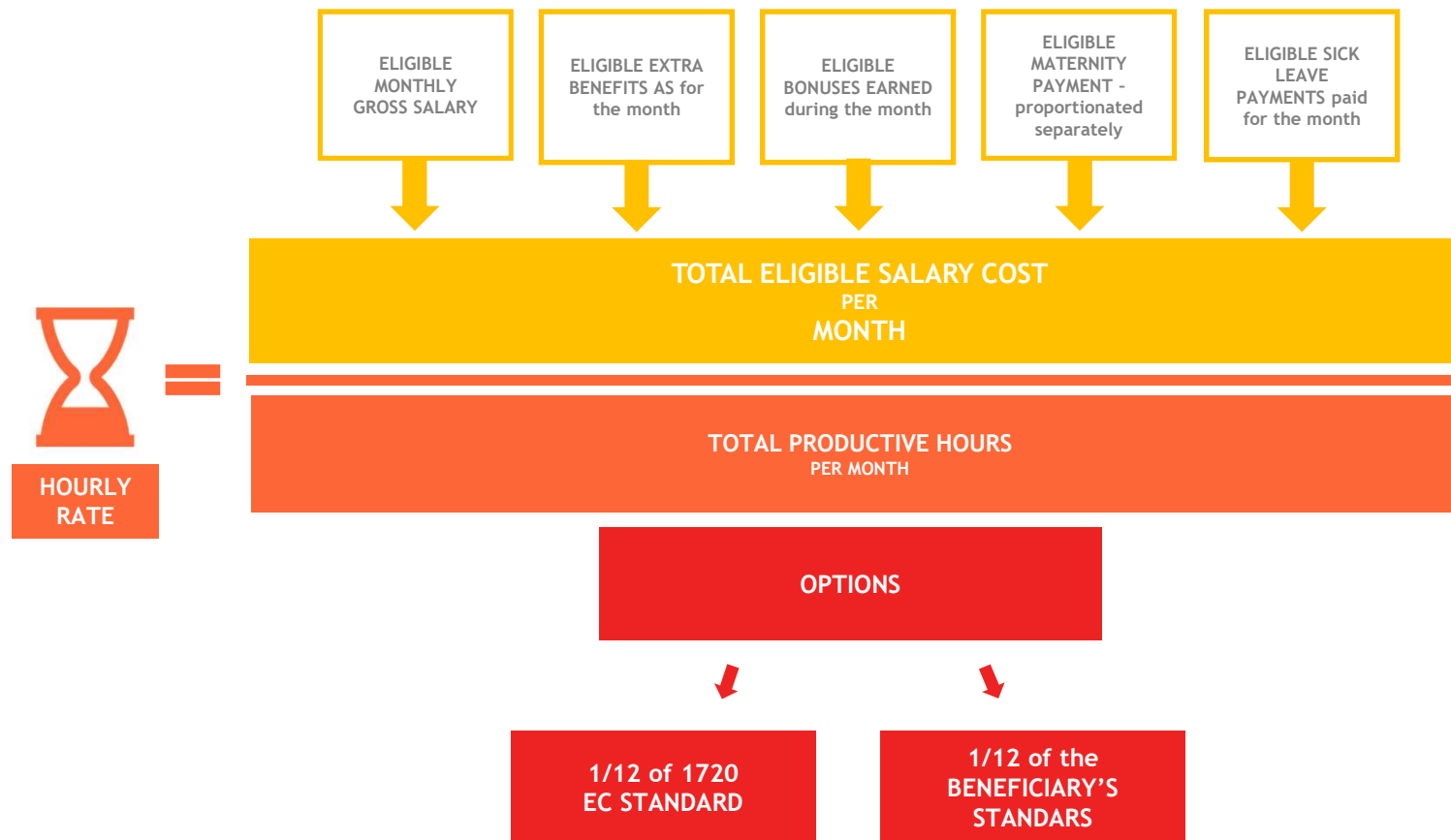
Specific cases to be discussed:

- Overtime?
- Tele-working?
- In-kind benefits (like company cars)?
- Lost academic fees
- Sick-leave
- Parental (maternity) leave

Personnel costs - Employees: Calculation - FISCAL YEAR



Personnel costs - Employees: Calculation - MONTHLY



PERSONNEL Costs - Employees: Additional Remuneration

It's not for (project) bonuses!!!

- For non-profit entities only
- Up to EUR 8,000 /year/person FTE
- Pro-rata rule applies, i.e.:
 - someone works 100% on his/her time on the project for a year: limit is 8,000 EUR
 - someone works 50% of his/her time on the project for 6 months in a fiscal year: limit is 2000 EUR (8000/12x6x50%)
- Paid for additional work/responsibility:
 - Paid for doing research
 - Paid for being WP/Task leader, team member, etc.
 - Using English - **NOT eligible**
- Must be paid to all, net depending on the source of funding (e.g. arbitrary decision)
- To be calculated separately - i.e. not part of the previously described calculations!

PERSONNEL Costs - Employees: UNIT COSTS

Average (UNIT-COSTS) personnel costs calculation



Unit costs are not internal RATES - they are calculated based on historical actual data, coming from the accounts, by setting a consistent manner to calculate the average (unit) of the actual costs

- Beneficiary can choose unit-based personnel costs reporting, when foreseen in the Proposal/GA
- General cost accounting principles must be applied and used
- A “hybrid system” is possible to be used - e.g. actual costs for senior researchers, unit-costs for lab-staff

PERSONNEL Costs - Seconded Employees

- An expert needed by the Beneficiary is employed by a third party
- Therefore his/her salary is paid by the third party!
- To engage him/her to the action, a secondment contract is signed between the Beneficiary and the Third Party in which this person is seconded to the Beneficiary
- The Beneficiary must reimburse the COST OF EMPLOYMENT related to the secondment to the third party
- The invoice is to be charged as Direct Personnel Costs by the Beneficiary
- The calculation of costs by the Third Party (i.e. the employer of the seconded person) must be the same as set in the GA



It is based on Article 11!

PERSONNEL Costs - In house consultants

In-house consultant (IHC) is a natural person working for the Beneficiary under a direct contract

- For self-employed or natural persons only!
- Direct contract between the Beneficiary and the IHC
- Works under the Beneficiary's instructions and at its premises (unless otherwise agreed)
- Results of the IHC's work belong to the Beneficiary (e.g. IPR)
- The hourly rate/cost of the IHC must not differ significantly from the hourly rate of a similar employee of the Beneficiary!



What is “significantly”?

- Verified time-records are available



An expert fee invoiced by a company is not eligible as personnel cost!

PERSONNEL Costs - SME owners and natural persons

Exclusively for SMEs and for Natural Persons participating as a Beneficiary in the action

- The person concerned must not receive salary for their work!
- The Unit-rate set by the EC must be used:
 - 4,650 EUR/month
 - Multiplied by the country coefficient
- Divided by 1,720 hours per year (143 per month)
- Actual time spent on the project is must be recorded in time-sheets (1,720 at most!)

Example

SME-owner from Norway

Rate: 4,650 EUR/month

Country coefficient: 131,90%

Hourly rate: $4,650 \times 131,90\% / 143$
= 42,89 EUR



This unit-cost is considered a flat-rate unit cost - no need to prove that it is actually paid!

So, how to report the Personnel Costs?

For employees:

- Set the number of productive hours to be used!
- Set the fiscal-year based or monthly-based calculation!
- Calculate the hourly rate per fiscal year/month for each concerned staff member (i.e. has hours on the project), then multiply it with the hours spent on the project.
- Calculate separately and add to the total eligible costs per person the “additional remuneration” when eligible!
 - Report one-by-one, with names and position on the project
- Set the unit rate for a concerned staff category, and multiply the unit rate with the total hours spent on the project by this particular staff category
- Calculate separately and add to the total eligible costs per person the “additional remuneration” when eligible!
 - Still, the report shall include all names involved

For in-house consultant:

- Hourly rate is set in the contract
- Multiply the hourly rate with the hours recorded on the project by this particular person
- The invoice/payment is reported as personnel costs
- Indicate names in the report

For SME-Owners/Natural Persons:

- The hourly rate is given by the EC (flat-rate)
- Summarize the hours spent on the project recorded in the relevant timesheets
- Multiply hours with the flat-rate hourly rate and report
- Indicate name(s) in the report

PERSONNEL Costs

Typical mistakes

- ✓ Costs claimed for people not directly employed nor paid by the beneficiary.
- ✓ Personnel costs claimed based on a budgeted, standard, estimated or internal accounting rates.
- ✓ Billable hours are used instead of number of workable hours.
- ✓ Standard annual productive hours used are significantly lower than 1,720/annum
- ✓ Time spent by individuals related to maintaining general expertise, administration internal training and/or sales is excluded from the calculation of the number of productive hours on the project.
- ✓ Absence of timesheets or timesheets not approved by a authorized person



PERSONNEL Costs

- Typical mistakes

- ✓ In the calculation of the hourly personnel rate, the payroll costs are divided by the number of productive hours on the project (only), instead of being divided by the total number of productive hours.
- ✓ Personnel costs claimed include overtime hours for which staff have not been paid.
- ✓ Personnel costs claimed include the remuneration of an in-house consultant hired through a contract with a consultancy firm (no labour contract, no direct instructions, not on the premises, commercial rate, etc.).
- ✓ Overhead costs included in the personnel costs calculation.

Direct Costs - Third Party Assistance

Why Third Party?

It's neither the EC, nor any of the Beneficiaries = a third party to the GA

- Any third party assistance must be foreseen in the proposal/DoA!
- Must be declared as actual costs! (no unit cost here!)
- 4 types of third party assistance:
 - In-kind contribution provided by third parties against payment (Article 11)
 - In-kind contribution provided by third parties free of charge (Article 12)
 - Implementation of actions/tasks by subcontractors (Article 13)
 - Implementation of actions/tasks by linked third parties (Article 14)
- Awarded according to the principles of best value for money, transparency and equal treatment and/or public procurement procedure (for “Contracting Bodies”)
- The tasks that are subcontracted should be described in DoA - the subcontractor itself does not have to be identified - except when using resources of linked third parties

Third Parties - Article 11

The third party makes its resources available against payment

- In-kind (i.e. non-financial) contribution provided by the Third Party
- A resource (equipment, researcher, laboratory, etc.) needed for the project is at the Third Party - e.g. **secondment of personnel, access to an equipment, etc.**
- The Third-Party makes this/these resource(s) available to the Beneficiary
- The cost of using the resource is charged by the Third Party and is paid and reported by the Beneficiary
- Only direct actual costs can be used
- The third party may also be audited!

Article 10 Contracts	Article 11 In-kind contributions against payment
Contractors act as economic operators selling to the beneficiary goods, works or services that are necessary for the action.	Third parties contributing in-kind make available some of their resources to a beneficiary without this being their economic activity (<i>i.e. seconding personnel, contributing equipment, infrastructure or other assets, or other goods and services</i>).
The eligible costs are the prices charged to the beneficiary by the contractors or subcontractors (usually containing a profit margin for the contractors or subcontractors but not for the beneficiary).	The eligible costs are the amounts that the beneficiary pays to the contributors according to their agreements, within the limit of the third party's costs (the amounts to be paid to the contributors usually exclude a profit margin but if they do, the profit margin is not eligible).

Third Parties - Article 12

The third party makes its resources available free of charge

- In-kind (i.e. non-financial) contribution provided by the Third Party
- A resource (equipment, researcher, laboratory, etc.) needed for the project is at the Third Party
e.g. secondment of personnel
- The Third-Party makes this/these resource(s) available to the Beneficiary
- The cost of using the resource is NOT charged by the Third Party and is therefore NOT paid by the Beneficiary
- Beneficiary can report the cost without paying it (as it was not charged by the Third Party) only if the amount of cost is identifiable and verifiable
- When charging it as a cost, **it should usually be reported as a receipt** at the same time (i.e. internal balance is zero)
- Only direct actual costs can be used
- The third party may also be audited!

Third Parties - Article 13

Outsourced activities/tasks implemented by SUBCONTRACTORS

Only for limited parts of the project!

- The contract is based on business conditions, subcontractors are not directly supervised by the beneficiary, no access to IPR)
- Subcontracting have to be mentioned, estimated and justified already in DoA - Annex 1 (use of resources) - otherwise cost can be rejected
- Only from a third party - **Invoicing between Beneficiaries is not eligible!**
- **Selected by the best Value-for-Money principle, or by (public) procurement**
- **The costs (The price of the service(s) provided) is paid and reported by the Beneficiary**
- Subcontractors must be bound by certain requirements of the EC (e.g. the Subcontractor may also be audited!)
- Not included for indirect cost calculation

Third Parties - Article 14

Outsourced activities/tasks implemented by LINKED THIRD PARTIES

WHO IS CONSIDERED LINKED?

Entities with legal link to the Beneficiary

- Under direct or indirect control of the Beneficiary
- Under the same direct or indirect control as the Beneficiary
- Directly or indirectly controls the Beneficiary
- Associations, foundations with members
- EEIG/JRUs

HOW TO USE?

- The Linked Third Party must be named and specified in the GA
- Certain actions/tasks are implemented by the Linked third party
- The Linked third party does not invoice the Beneficiary!
- The Linked third party declares the costs of its work on its own Form C - same rules applies as for the Beneficiary
- The Beneficiary submits the Form C of its Linked Third Party
- The EC reimburses the Linked Third Party via the Beneficiary
- The Linked Third Party may also be audited!



So what's the difference between Article 13 and 14?

Financial support to third parties - Article 15

Also called Sub-granting or cascade-funding:

Only eligible if foreseen in the call text/work programme

Typical recipients:

- Natural persons (allowance, scholarship, fellowship)
- Legal entities (award, prizes, financial assistance)
- Start-ups (seed-money, microcredits)
- In kind support is not a financial support

What to foresee in the GA?

- Exact amount of the financial support
 - Limit: EUR 60,000 as per third party, unless foreseen otherwise
 - No limit foreseen when support is given in form of prizes
- Number of third parties to receive financial support, with a breakdown
- List of the activities that qualify for financial support and the criteria for giving financial support
- The persons or category(ies) of persons that qualify for financial support
- For prizes only: the conditions for participation, award criteria for assessing the quality, the amount of the prize and the payment methods

Summary on the Third Parties

TYPE	CHARACTERISTICS						
	Works on action tasks?	Provides resources or services for action?	What is eligible?	Must be indicated in Annex 1?	Indirect costs?	Selecting the third party	GA articles
Linked third party	YES	NO	Costs	YES	YES	Must be affiliated or have a legal link	Article 14
Subcontractor	YES	NO	Price	YES	NO	Must be best value for money, avoid conflict of interest	Article 13
Third party providing in-kind contribution	NO	YES	Costs	YES	YES	May not be used to circumvent the rules	Articles 11 and 12
Contractor (selling, equipment, good or service)	NO	YES	Price	NO	YES	Must be best value for money, avoid conflict of interest	Article 10
Third parties receiving financial support ³³	The third parties participate in the action as recipients.		Amount of support given	YES	NO	According to the conditions in Annex 1	Article 15

So, how to report third party costs?

For Article 11&12

- Have it foreseen in the GA
- Have a contract with allows you using the resources provided by the Third Party
- Third party shall invoice you with the costs
- Report it as personnel costs in case the resource provided was an employee (i.e. secondment)
- Report it as other cost in case the resource provided was an equipment/laboratory/machinery/etc.

For Article 13

- Must be foreseen
- Select the subcontractor as discussed earlier
- Subcontractor deliver the work, invoices you, invoice paid
- Report it as subcontracting costs, with all details (name of subcontractor, services provided, relevance to the project, etc.
- **No 25% flat-rate overheads applies here!**

For Article 14

- Must be foreseen, name of the LTP shall be indicated in the contract, with a separate budget line
- LTP carries out the work foreseen
- LTP reports in own costs to the Beneficiary it is linked to
- The Beneficiary reports the LTP costs statement separately to its own costs claims.

For Article 15

- Must be foreseen in the GA, also foreseen in the call text (not always available)
- Select the third parties you provide financial support
- Pay the support/prize/scholarship/etc.
- Report it in your own claims
- **No 25% flat-rate overheads applies here**

Other Direct Costs:

Travel costs

- Actual travels costs, in accordance with the Beneficiary's account principles and travel policy
- The travel is linked to the action, reported in the periodic report
- No distinction between travelling in or outside of Europe!

Internally invoiced goods and services: ***NEW***

- Based on costs (!) only, excluding internal overheads, profit or rates. Each Beneficiary has to ensure that the justification and/or calculation is available to prove that “no-profit” is kept.

+1: The costs of the Large Infrastructure*

- *the value of the large research infrastructure represents at least 75% of the total fixed assets and at least of at least EUR 20 million the Beneficiary's methodology for declaring the costs for the large research infrastructure has been positively assessed by the EC („ex-ante assessment”) costs that correspond to the duration of the action and rate of actual use for the purposes of the action

Other direct costs: Other services - Article 10!

Subcontracting or Other service?

It's neither the EC, nor any of the Beneficiaries = a third party to the GA

- Any costs needed for the implementation of the action
- Consumables, material costs, dissemination costs, IPR protection fees, Certificate on Financial Statement, translations, proofreading, legal advice, publications costs, printing costs, meeting costs like catering and hotel costs, website design and development costs, etc.
- No need to foresee them one-by-one in the GA!

Article 10 Contracts to purchase goods, works or services	Article 13 Subcontracts
These contracts do not cover the implementation of action tasks, but they are necessary to implement action tasks by beneficiaries.	Subcontracts concern the implementation of action tasks; they imply the implementation of specific tasks which are part of the action and are described in Annex 1.
Do not have to be indicated in Annex 1.	Must be indicated in Annex 1.
The price for these contracts will be declared as 'other direct costs' — column D in Annex 2 — in the financial statement; they will be taken into account for the application of the flat-rate for indirect costs.	The price for the subcontracts will be declared as 'direct costs of subcontracting' — column B in Annex 2 — in the financial statement; they will not be taken into account for the application of the flat-rate for indirect costs.



Key word: Providing assistance to a non-complete task(s) of the action!

Other Direct Costs: Equipment and other assets

What is eligible?



- **Depreciation cost** for equipment, infrastructure or other assets (new or second hand) recorded in the Beneficiary's P&L can be reported.
- **Cost of installation**, site preparations, delivery etc.
- **Cost of renting or leasing** equipment, infrastructure or other assets (including related duties, taxes and non-deductible VAT) can be reported, if they do not exceed the depreciation costs of a similar asset and do not include any financing fees.
- The only portion of the cost related to an action can be reported i.e. costs which corresponds to the duration of the activity and rate of actual use for the purpose of the activity (**usage-rate records!**).

When it is eligible?



- Foreseen and needed to carry out the activity
- In accordance with:
 - the Beneficiary's accounting practice,
 - national/ local tax and accounting rules
 - International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)

What is not eligible?



- Cost that do not follow the rules set out in previous section.
- Financing costs related to leasing contracts
- Buy-out costs related to leasing contracts

So, how to report the Other direct costs

For travel costs

- Summarize the costs of each “mission” taken one-by-one
- Indicate the destination, rationale, who travelled, dates for each travel
- Report the total costs per travel and WP

For equipment

For own equipment (depreciation)

- Describe what kind of equipment, which category (ITC, lab, etc.)
- By depreciation period (e.g. 36 months) and the usage rate on the action (e.g. 30%) calculate the eligible costs (e.g. EUR 36,000 (value) / 36 (depreciation period) * 12 (project duration) * 0,3 (average usage rate over 12 months) = EUR 3,600)
- Leased/Rented equipment
 - Value of contract
 - Usage rate on the action
 - Total eligible costs calculated

For other services

- Select suppliers
- Report per supplier, per Work Package the total costs
- Describe the rationale

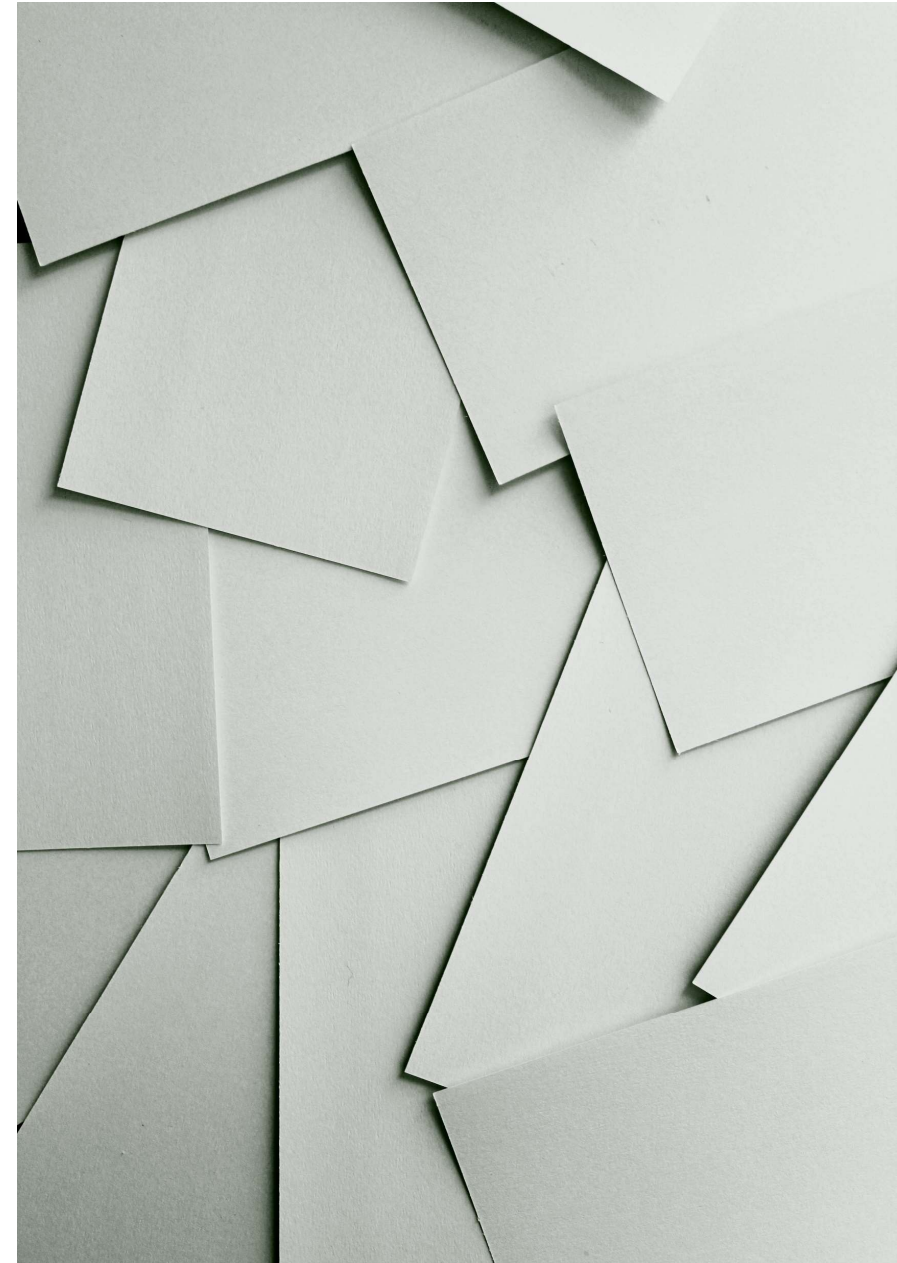
Indirect Costs

FLAT-RATE overhead costs calculation applies

For all Beneficiaries: 25% on the top of the total direct eligible costs, excluding:

- Subcontracting
- Costs of in-kind contribution provided by third parties, that are not used on the beneficiary's premises
- Costs of providing financial support to third parties
- Lump-sums or unit costs includes indirect costs

It's automatically added to the reported direct costs.



Chapter 3: The easy stuff

Funding rates

One project - One Rate principle

- No distinction between the activities (e.g. research, management, other)
- 100% reimbursement for all in Research and Innovation Actions (RIA) and in Coordination and Support Actions (CSA)
- 70% reimbursement for profit making entities in Innovation Actions (IA) with the exception of:



100% funding for non-profit entities in IA



Receipts

What is a receipt?

A receipt is:

- A **dedicated** financial or in-kind contribution directly given to the project (**other than the EU contribution**), or
- An **Income** generated by the project, such as:
 - Participation fee on a project event
 - Equipment bought by and reported to the action sold before the end of the project

Exploiting the project results (foreground) is **NOT** a receipt!

Why is it important at reporting?

If receipts + grants is less than the total eligible costs → **NO REDUCTION**

If receipts + grants is more than the total eligible costs → **REDUCTION OF THE GRANT**



In H2020 receipt is taken into account at the project level!

Certificate(s) of Costs

Two different kinds of certificates:

- Mandatory: Certificate on Financial Statement (CFS)
- Optional: Certificate on Methodology (CoMUC) - to certify the Beneficiary's calculation on unit costs (i.e. personnel unit costs)

CFS is mandatory for every Beneficiary when:

- The requested “accumulated” funding on actual costs and unit costs (i.e. excluding the 25% indirect costs) reaches €325,000
- To be submitted STRICTLY at the end of the project
- it must cover the total reported costs
- If € 325,000 rules is not met - NOTHING has to be submitted!

Who can provide these certificates ?

- Qualified auditors under the 8th Directive
- Independent
- Public bodies, secondary / higher education establishments and research organisations may opt for a competent public officer

What is a CFS?

- It must be provided by the concerned Beneficiaries individually, whenever requested
- It is to validate the Beneficiary's financial statement(s) by an external auditor
- All costs must be cross-checked, in exceptional cases “sampling” can be accepted
- CFS must be provided using the official template provided in the GA

What can the CFS Auditor do?

To confirm the costs reported are in fully line with:

- The relevant national legislation and tax regulations
- The principles and rules of the GA
- The Beneficiary's own financial policies

The Guarantee Fund

- Guarantee Fund is to cover risks and recover lost grants
- All beneficiaries must contribute with 5% of their total calculated EU contribution
- Financial interest generated will cover risks (e.g. in case of bankruptcy)
- Will be reimbursed at the end of the project (1% may be deducted - from private entities)

Payments from the EU

- **Pre-financing**, amount set by the EU in the GA, in 30 days after signing the GA
 - General advance-payment calculation: Total requested funding / number of reporting periods
 - Minus 5% of the maximum grant amount to be transferred to the GF
- **Interim payment(s)**, in 90 days from the date the EU received the Periodic reports
- **Payment of the Balance** (Final payment), in 90 days from the date the EU received the Final Periodic Reports
- Suspension of payment may apply whenever needed

Exchange rates

Beneficiary with accounts in **EUR**, must report all costs accounted directly from their accounts

Beneficiary with accounts **other than in EUR**, must use the average of the daily exchange rate of the concerned currency over Euro, published by the European Central Bank:

Latest (22 May 2017): EUR 1 = NOK 9.3723 -0.0200 (-0.2%)

Change from 1 January 2016 to 31 December 2016

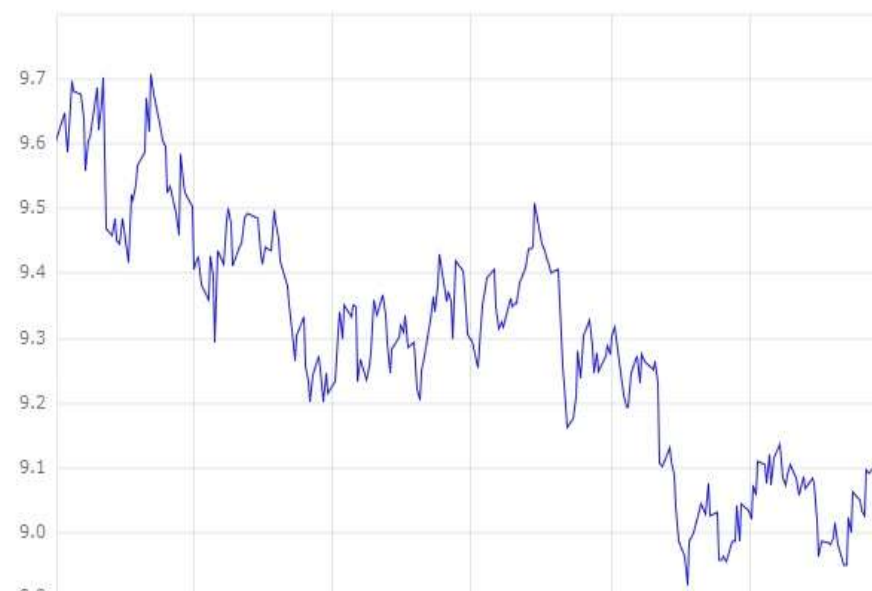
Minimum (4 October 2016): 8.9175 - Maximum (11 February 2016): 9.7085 - Average: 9.2906

Select: EUR vs. NOK



From: 01-01-2016 to: 31-12-2016

Zoom: 1m 3m 6m 1y 2y 5y 10y all



Any questions



Thank you for your attention!

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