

Europa Media webinar

An introduction to HE Financial Rules

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EM TRAININGS

In collaboration with

SFU SIMON FRASER
UNIVERSITY



Welcome!

- 9:00– 10:15 | Presentation
- 10:15 – 10:30 | Q&A session



Speaker



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Content

- Basic financial principles
- Eligibility
- Cost categories
- Project management

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**Basic financial
principles**

Accounting or Reporting

„all cost reported must be in line with the beneficiary's usual cost accounting practices”

(HE GA; Art.6.1a)

Compare the following:

Do I have to do anything differently compared to normal businesses?

VS

Can I do anything differently compared to normal businesses?

Why Reporting costs?

- „Budget-based, mixed actual cost grant” (HE Art. 5.1)
 - In 90-95% of the actions funding is based on actual/unit-based direct costs incurred and reported
 - Apart from:
 - Lump-sums financed actions (e.g., IA-LS)
 - Pre-fixed unit-cost grants (e.g., MSCA)
 - Flat-rate financed costs (for the indirect costs)

No joint financial responsibility but joint technical responsibility!

Basic financial principles

in the context of EU R&I projects (1)

Rule #1:

**We are spending the “Taxpayers’ money”:
Horizon 2020 / Horizon Europe 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 EU R&I projects (2)

Rule #2:

Cost vs Price: What is the difference?

- It is called **COST reimbursement** for a good reason...
- No commercial “rates”
- No “profit”
- No “overheads”



Basic financial principles

in the context of EU R&I projects (3)

Rule #3:

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






2

Eligibility

Project costs vs. Eligible costs



**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 implementation of the project
- Reasonable, justifiable – cost efficiency

What makes a cost **NON-ELIGIBLE?**

- **Not foreseen** in the proposal/GA (particularly 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!



**What makes any
cost a **DIRECT** cost:**

Can be **directly linked to the project**

- The Beneficiary must **prove the link** between the project and the cost
- 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

**What makes any
cost an **INDIRECT**
cost:**

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 link to the project (e.g. travel “forgotten” to be reported, equipment fully depreciated, etc.)

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Cost Categories

Direct Cost Categories

- **Personnel costs (A)**
 - as actual costs
 - as unit costs
- **Subcontracting (B) – *NB! the terminology* 😊**
 - as actual costs only!
- **Purchase costs (C)**
 - Travel costs – as actual costs only! (C1)
 - Equipment and infrastructure costs- as actual costs only! (C2)
 - Other goods and services – as actual costs only! (C3)
- **Other costs (D)**
 - Financial support to Third Parties (FSTP) (D1)
 - Internally invoiced goods and services (D2)
 - Transnational access cost to Research Infrastructure (D3)
 - Virtual access cost to Research Infrastructure (D4)
 - PCP/PPI (D5)
 - Euratom Cofund staff mobility costs (D6)
 - ERC Additional funding (D7)
 - ERC Additional funding – SC, FSTP, IIGS (D8)



Personnel cost category

- Employees
- Seconded employees
- In-house consultants
- SME owner rate
- Natural person as a partner/beneficiary

SFU TAGFA Employment and Compensation

Keep in mind these directive highlights:

Eligible:

- *Letter required from international employer attesting international researcher is not being paid*
- *Employer mandatory benefits are eligible*
- *Prorated mandated severance pay for current project*

Not eligible:

- *Grantees and independent researchers cannot be compensated from grant funds*
- *Individuals expected to work for free such as a collaborator. Employees of another organization cannot be compensated directly (***institutions may***)*

Please NB! Gifts, Honoraria and Incentives not eligible in Horizon Europe

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
- **PM rate?** - For the BUDGET the coordinator will ask for one person month (PM) rate and PM numbers for the WPs you are involved in. The PM rate is the weighted average salary rate.

Example:

Staff	gross-gross Monthly rate	PM	Total
Senior Researcher	12,500	3	37,500
Researcher	8,000	2	16,000
Post-doc	6,500	6	39,000
TOTAL		11	92,500

AVG PM rate **8409.09**



Purchase and other costs

Everything other than personnel or subcontracting comes here:

- Travel costs
- Equipment and assets
- Other goods and services

Other cost categories :

- Financial support to third parties (D1)
- Internally invoiced goods or services (D2)
- *Transnational access to research infrastructures (D3)*
- *Virtual access to research infrastructures (D4)*
- *PCP/PPI procurement costs (D5)*
- *Euratom Cofund staff mobility costs (D6)*
- *ERC additional funding (D7)*
- *ERC Additional funding – SC, FSTP, IIGS (D8)*



Travel costs

- Actual travels costs, in accordance with the Beneficiary's account principles and travel policy - **you must have a travel policy!**
 - Business or Economy?
 - Per-diem or actual cost?
- The travel must be linked to the action, reported in the periodic report – **have a mission report form** with a written abstract what and why happened!
- No distinction between travelling in or outside of Europe!
- Travel costs are primarily eligible for the personnel working on the project
 - External experts? Invited lecturers?
- Proportionate travel costs in case of multiple purposes (e.g. *between projects, or between professional and private reasons*)
- Make sure **your travels are in line with your timesheets!**

SFU

Travel and Travel-Related

Keep in mind these directive highlights:

- *Reasonable out-of-pocket expenses as long as principles and SFU policies and procedures are respected.*
- *Authorized by the right level of authority (one up approval).*
- *Alcoholic beverages cannot be reimbursed.*

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 are the special cases?

- Financing costs related to leasing contracts
- Buy-out costs related to leasing contracts
- Prototypes/Pilot plans?
- Full cost option in HE
- Full capitalised cost?
- Equipment bought before the project?

Other goods and services

- 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!

SFU - Goods and Services

Keep in mind these directive highlights:

Research supplies can be purchased using grant funds

Consulting fees are not eligible for:

- *Grant recipients*
- *Independent researchers*
- *Individuals expected to work for free*

Note: *Consulting fees or Consulting services need to follow SFU's procurement process*

SFU - Hospitality

Keep in mind these directive highlights:

Eligible for meetings:

- *Cultural respect (formal courtesy)*
- *Research objectives with at least one participant not a member of the team*
- *Non-eligible for meetings:*
 - *With participants involved in the day to day activities*
 - *The cost of alcoholic beverages*

Subcontracting

Only for limited parts of the project!

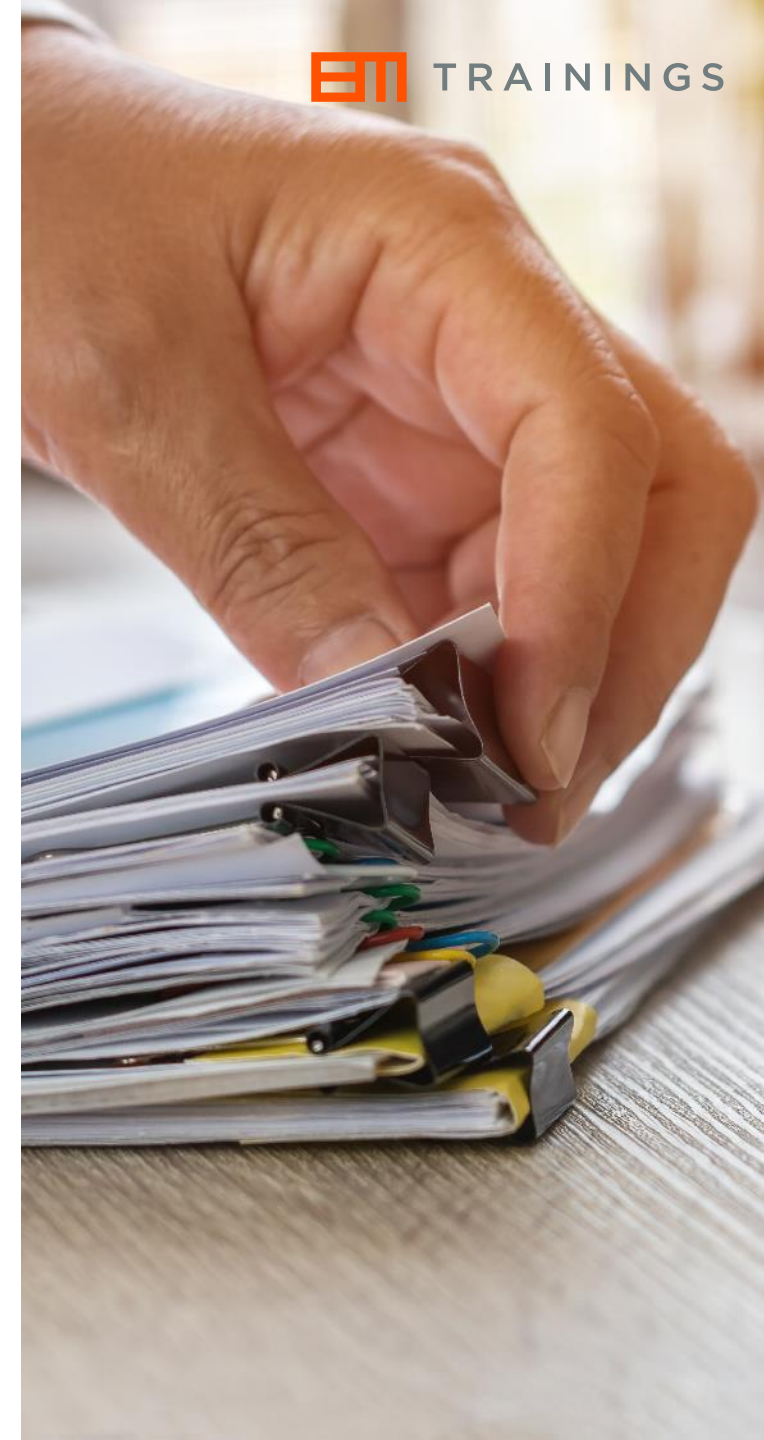
- The contract is based on business conditions, subcontractors are not directly supervised by the beneficiary, no access to IPR
- Subcontracting must be mentioned, estimated and justified already in the **DoA** (Annex 1: use of resources). If not, the cost can be rejected.
- Only from a third party: Invoicing between Beneficiaries **is not eligible!**
- **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. subcontractor may also be audited!)
- Not included for indirect cost calculation



Third party involvement

What are the preconditions?

- Any third-party assistance **must be foreseen in the proposal**. Your last resort is during Grant Agreement Preparation (**GAP**) so it can be inserted into Annex 1 (Description of Action (**DoA**))
- It must be declared as **actual costs**. **No unit cost** is accepted here.
- The tasks that are subcontracted should be described in the DoA. The subcontractor itself does not have to be identified, except when using the resources of linked third parties (affiliated entities).



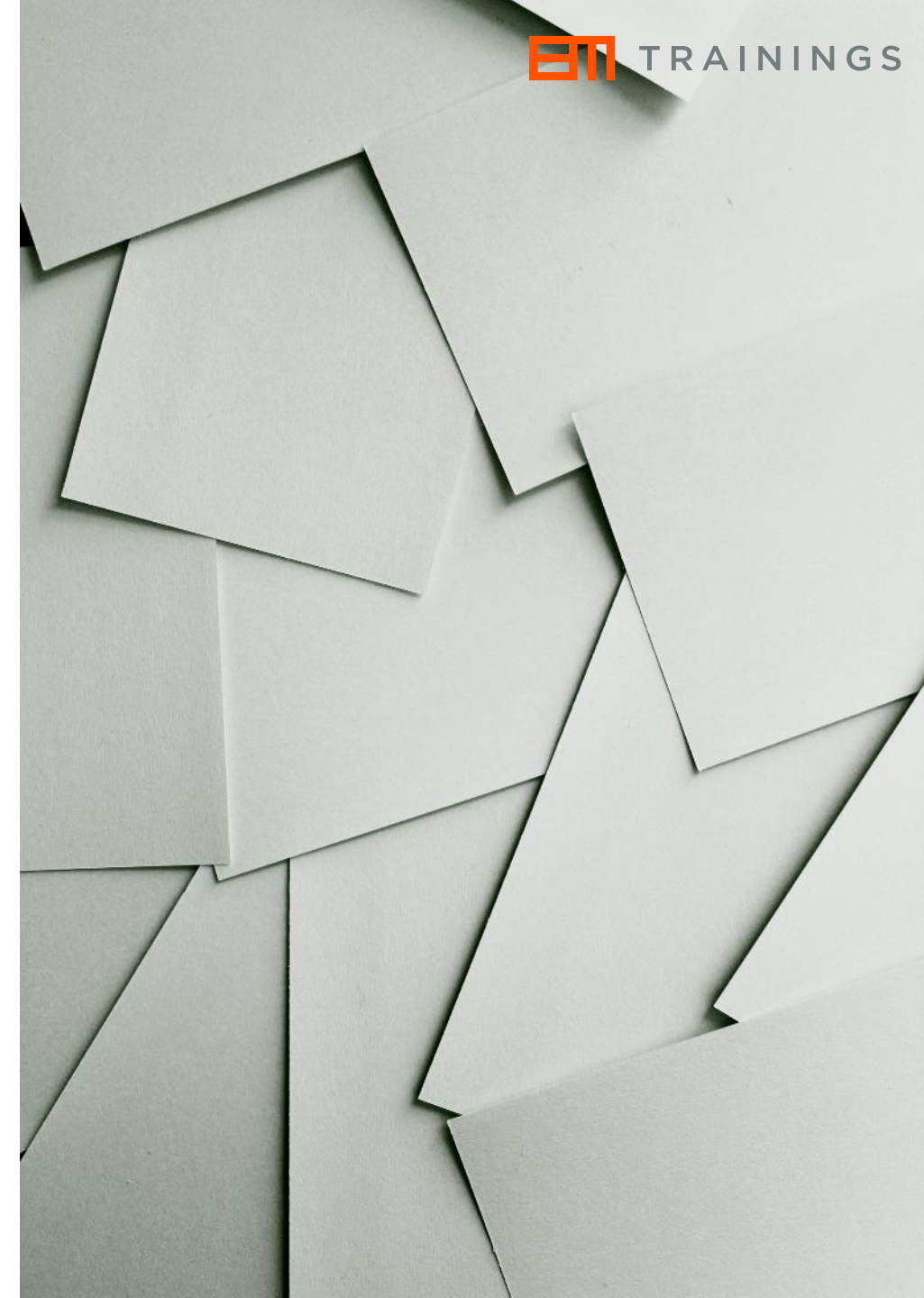
Indirect Costs

FLAT-RATE overheads

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

- Subcontracting
- Costs of in-kind contribution to third parties which are not used on the beneficiary's premises
- Costs of providing financial support to third parties
- Lump-sums or unit costs including indirect costs
- Specific cost categories (including internally invoiced goods and services)

It's automatically added to the direct costs.



Funding rates

“One project – One Rate” principle

- **100%** reimbursement for all in **Research and Innovation Actions (RIA)** and in **Coordination and Support Actions (CSA)**
- **70%** reimbursement in **Innovation Actions (IA)** with the exception of:
 - ⚠️ 100% funding for **non-profit** entities in IA



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Project management

Annotated Grant Agreement

Horizon Europe

- eGrants for several programmes
- Only three types of MGAs will be used:
 - a general model and two derived models based on
 - unit costs and
 - lump-sum
- A **data sheet** with information about payments, reporting and participants
- **Core articles** are the same
- **Specific annex** for 'special rules' (Annex 5)



Daily rate

Eligible salary

Eligible salary costs are limited to:

-include net payments during parental leave, social security contributions, taxes and other costs linked to the remuneration, if they arise from national law or the employment contract (or equivalent appointing act).

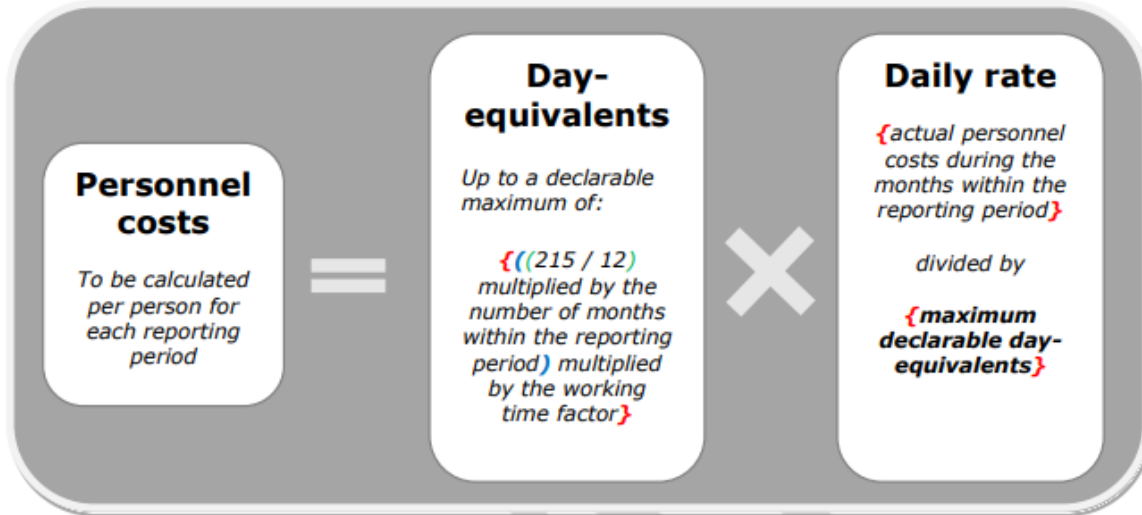
How to calculate the daily rate?

$$\text{Daily Rate} = \frac{\text{Total eligible personnel costs of the employee over the reporting period}}{\text{Maximum declarable day-equivalent over the reporting period over the reporting period}}$$



Personnel costs

Calculate eligible personnel costs



{daily rate for the person multiplied by number of actual days worked on the action (rounded up or down to the nearest half-day)}

You must do these calculations normally once per reporting period (RP)⁶ for each person who worked in the action

⁶ Alternatively, the calculation may be done separately for each calendar year within the reporting period, if this is consistently applied. In that case, the 'number of months within the reporting period' referred to in the formulas is to be understood as the number of months of the respective calendar year that are within the reporting period.

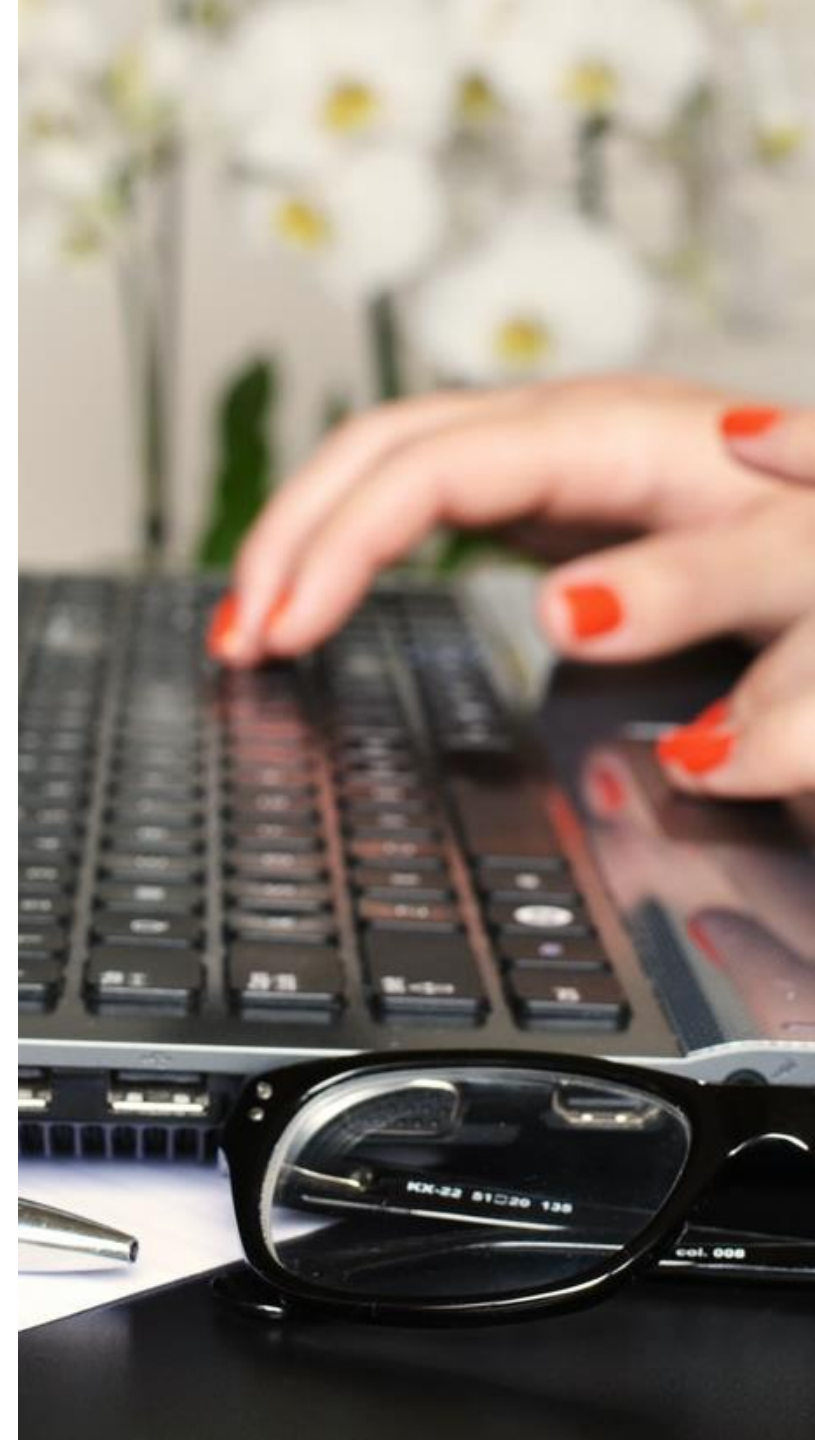


Maximum Declarable Day Equivalents

To calculate the daily rate, you first need to determine the maximum declarable day equivalents. Since you may not declare more than 100% of your personnel cost, the number of declarable day-equivalents in each reporting period is capped.

$$\frac{215}{12} \times \text{number of months [during which the person is employed] within the reporting period} \times \text{working time factor}$$

For the purpose of all personnel cost calculations a month is considered to have 30 days



Time recording

Every Beneficiary must have a reliable and certified time recording system.

For persons who work for the action (regardless if they are full-time or part-time employees and/or if they work exclusively or not for the action; **new for 2021-2027**), the beneficiary may either:

- use reliable time records (*i.e. time-sheets*) either on paper or in a computer-based time recording system, to record (at least) all the hours worked in the action

Reliable time records must be dated and signed at least monthly by the person working for the action and their supervisor.

If the time recording system is computer-based, the signatures may be electronic (*i.e. linking the electronic identity data, e.g. a password and user name, to the electronic validation data*), with a documented and secure process for managing user rights and an auditable log of all electronic transactions.

or

- sign a monthly declaration on days spent for the action ([template](#)).

Time recording

Every Beneficiary must have a reliable and certified time recording system, recording ALL days worked on the action, person by person! (or all hours if you register hours in your organisation)

EU Grants: Time declaration: V1.0 – 25.08.2021

EU GRANTS DECLARATION OF DAYS WORKED ON A PROJECT YEAR:

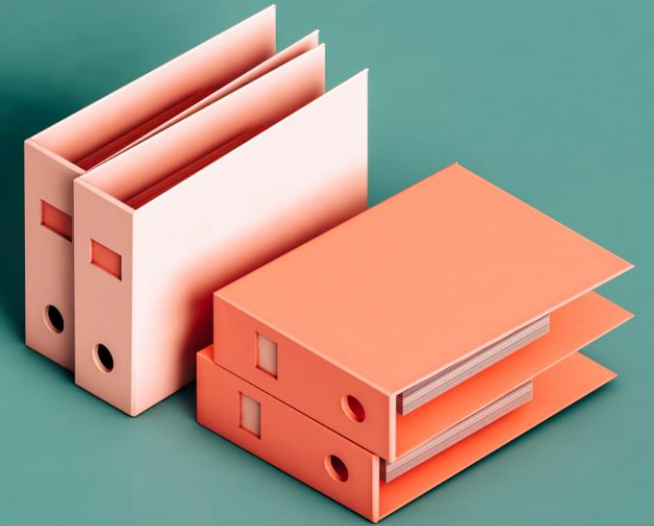
Project acronym:		Project number:	
Participant name:			
Name of the person:			Type of personnel: <small>(employee/ natural person under direct contract/ seconded/ other)</small>

Month	Days worked in the action <small>(Article 15, 7.5, 0.5)</small>	Work Packages worked on <small>(Article WFP2; WPS)</small>	Date and signature of the person	Name, date and signature of the supervisor
January			Signature: / /20XX	Name: / /20XX Signature: / /20XX
February			Signature: / /20XX	Name: / /20XX Signature: / /20XX
March			Signature: / /20XX	Name: / /20XX <u>Signature:</u> / /20XX
April			Signature: / /20XX	Name: / /20XX Signature: / /20XX
May			Signature: / /20XX	Name: / /20XX Signature: / /20XX
June			Signature: / /20XX	Name: / /20XX Signature: / /20XX
July			Signature: / /20XX	Name: / /20XX Signature: / /20XX
August			Signature: / /20XX	Name: / /20XX Signature: / /20XX
September			Signature: / /20XX	Name: / /20XX Signature: / /20XX
October			Signature: / /20XX	Name: / /20XX Signature: / /20XX
November			Signature: / /20XX	Name: / /20XX Signature: / /20XX
December			Signature: / /20XX	Name: / /20XX Sign: / /20XX
TOTAL				

Financial changes

Approval, amendment, flexibility

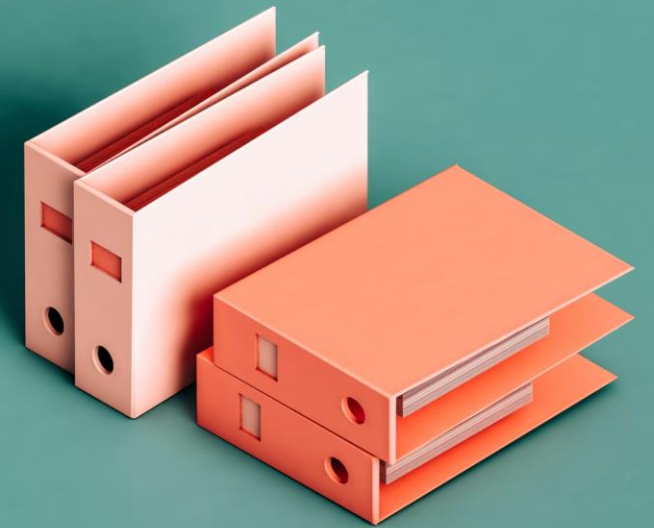
- Article 5 on Budget Flexibility
 - Not existing in lump sum scheme
- Any change in between cost categories or work packages or partners
 - Inform the coordinator – make sure it can be done



Internal policies

Not only for Horizon Europe

- Purchase policy (number of offers? Order form? Completion form/certificate?)
- Travel policy – mission reports, per diem calculations
- Subcontracting policy – value for money selection procedure
- Employment contract types,
- Time recording system
- Assigning people to projects



Summary

- Only eligible direct costs can be reported
- Costs before/after GA dates are not to be reported
- Internal rates, pricelist are typically not eligible
- Even if foreseen, all costs must be justified
- Actual cost by default, unit-based reporting are optional
- Flat-rate indirect cost contribution
- No joint financial responsibility



SFU HE resources

The logo for Simon Fraser University, featuring the letters 'SFU' in white on a dark red rectangular background.

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Coming soon!

SFU Horizon Europe webpage

Tools, links, webinars, and repository of knowledge for the Horizon Europe Programme

(url will be shared widely as soon as the site is published)

HE Fund Opps link:

<https://Ops.its.sfu.ca/manage/fundingopportunities/378>

THANK YOU!

for your attention

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