



FINANCE AND BUDGET

Research Executive Agency
Marie Curie host-driven actions

ITN Coordinators Meeting
Brussels, September 2012

Financial Management of ITN Projects

1. EU contribution

- cost categories, records to keep, non-eligible costs, etc.

2. Project lifecycle and payments

- timing and types of payments, guarantee fund

3. Financial reporting

- rules, exchange rates, certificates



1. EU contribution

A maximum EU Financial Contribution

Where is it recorded?

Grant Agreement - Article 5

Annex 1 - Part 10

GPF - Form A3.3 and Form A3.4



Can It Change?

The maximum EU contribution cannot increase

Costs claimed during the project can be lower

General rules for the costs

Defined by the cost categories

Article II.14.1:

- Actual costs and flat rate costs
- Incurred costs & only during project duration
- Related to objectives of the project
- Economic, efficient and effective
- Recorded in accounts of beneficiary in accordance with the usual accounting rules of the beneficiary

Max. 40% of the EU contribution to any one country (MULTI)

| Annex I | |
|---|--|
| "ANSAI" | |
| GENERAL CONDITIONS | |
| MARKET-CURE ACTIONS (MULTI-BENEFICIARY) | |
| 0.1 | Introduction |
| 1 | Part A: DEDICATED PART OF THE PROJECT |
| 1.1 | SECTION 1 - GENERAL PRINCIPLES |
| 1.1.1 | Organization of the cooperation and role of beneficiaries |
| 1.1.2 | Specific performance obligations of the beneficiary |
| 1.2 | SECTION 2 - BUDGETARY ENGAGEMENTS |
| 1.2.1 | Request and delivery |
| 1.2.2 | Approval of request and its validity, time limit for payment |
| 1.2.3 | Payment conditions |
| 1.3 | SECTION 3 - IMPLEMENTATION |
| 1.3.1 | Subcontracting |
| 1.3.2 | Suspension of the project |
| 1.3.3 | Credibility |
| 1.3.4 | Communication of data for evaluation, impact assessment and monitoring |
| 1.4 | SECTION 4 - FINANCIAL PROVISIONS |
| 1.4.1 | Information to be provided to Member States or designated Countries |
| 1.4.2 | Submission and certification |
| 1.4.3 | Planning of personal data |
| 1.4.4 | Other FINANCIAL PROVISIONS |
| 1.4.4.1 | SECTION 1 - GENERAL FINANCIAL PROVISIONS |
| 1.4.4.1.1 | Right of access to the project |
| 1.4.4.1.2 | Identification of the awarded indirect costs |
| 1.4.4.1.3 | Recovery of the project |
| 1.4.4.1.4 | The financial contribution of the State |
| 1.4.4.1.5 | Income granted by the financing provided by the MS |

What does the EU Contribution consist of ?

Fellows

Living allowance (salary)

→ Cost **Category 1**

Mobility allowance

→ Cost **Category 2**

Research, training and networking

→ Cost **Category 3**

Contribution to networking costs, training, consumables, events, etc.

Management

→ Cost **Category 4**

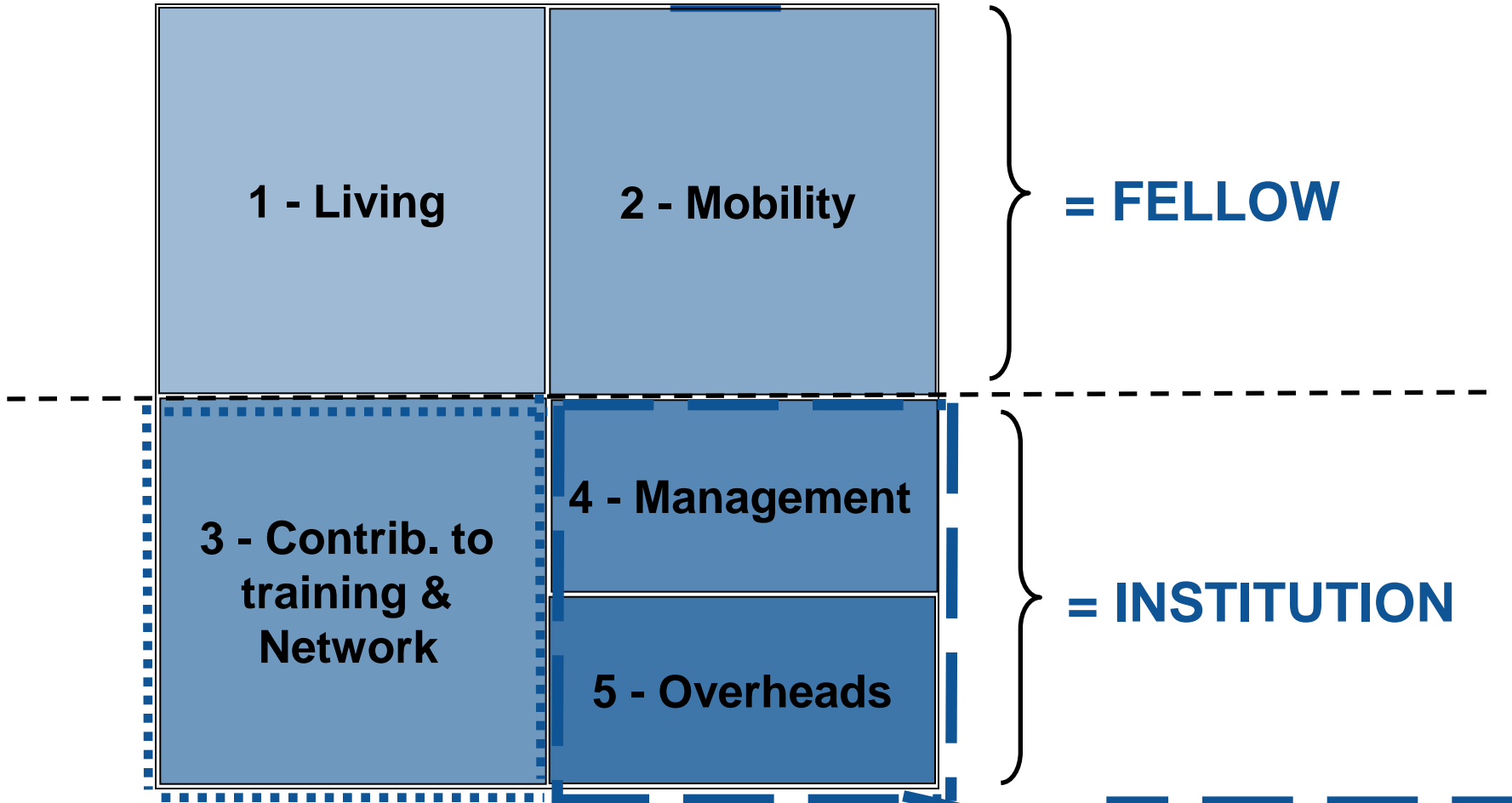
Costs associated with the ITN project management requirements

Overheads

→ Cost **Category 5**



European
Commission



Flat rate ⇔ fellow-month dependent

% of EU contrib. and direct costs

Living Allowance - Cost Category 1

For Whom?

- Recruited fellows

Employment Contract or Stipend?

- Already agreed during negotiation, in general:
 - Fellows should always be paid with ***employment contract*** (Type A) unless not possible due to national legislation
 - Stipend (Type B) should only be used with prior consent of the Project Officer

What does it include?

- Monthly salary for the fellow before any deductions: both employers and employees contributions to social security, pension, taxation, voluntary deductions

Living Allowance - Cost Category 1

How Much?

- *Depends on 3 factors*
 - level of experience: ESR or ER (exp. 4-10y)
 - type of contract : employment contract (Type A) or stipend (Type B)
 - Country Correction Coefficient

How is the monthly salary calculated?

- Annual base rate * country coefficient / 12

What are the base rates?

| Researchers Categories | EUR/year |
|---|----------|
| Early-stage researchers | 38 000 |
| Experienced researchers (< 10 years experience) | 58 500 |

Living Allowance - Cost Category 1

Can we pay the fellow less?

- No → Breach of the conditions of the Grant Agreement

Can we pay the fellow more?

- Yes → The top-up cannot be charged to the project, but from other funds

Must I pay at the actual level of experience of the fellow or the level foreseen in the Grant Agreement?

- You must pay according to the experience of the fellow. For multi-beneficiaries, it is not allowed that researchers eligible as ERs are recruited/paid as ESRs

Living Allowance - Cost Category 1

What if the fellow changes level of experience during the project?

- The fellow is always paid at the level correct for the time of recruitment to the project

We operate on a 13 month pay regime, can we use this for the fellows?

- Yes → provided the fellow receives the full amount owed and it is clearly stated in the contract with the fellow and the reports

Do we always pay the fellow in Euros?

- No → The fellow can be paid in local currency, costs reported in €

Living Allowance - Cost Category 1

What records do we need to keep for EU audit purposes?

- Evidence of the eligibility of the fellow
- Employment contract/agreement with the fellow
- Proof of payment of the salary to the fellow and of the deductions for social security etc.
- Evidence that the fellow worked on the project: this can include lab books, conference abstracts, library records, etc.

Is the fellow obliged to keep timesheets?

- No → Timesheets are not an obligation for the Marie Curie Fellows but can be used if in line with local practices



Mobility Allowance - Cost Category 2

For Whom?

- All recruited fellows

What are the rules for international mobility?

- Researchers must not have resided or carried out their main activity (work, studies, etc) in the country of their host organisation for more than 12 months in the 3 years immediately prior to the date of selection by the host institution. Short stays such as holidays are not taken into account.

For international European interest organisations or international organisations located in any of the Member States or Associated countries the mobility rule does not apply to the hosting country of eligible researchers. However to be eligible the appointed researcher must not have spent more than 12 months in the 3 years immediately prior to the date of selection in the same appointing international organisation.

Mobility Allowance - Cost Category 2

How Much?

Depends on 2 factors

- Family status of the fellow:
 - Family = persons linked to the researcher by (i) marriage, or (ii) a relationship with equivalent status to a marriage recognised by the national legislation of the country of the host organisation or of the nationality of the researcher; or (iii) dependent children who are actually being maintained by the researcher.
 - Family → **base rate = €1.000 per month**
 - No family → **base rate = €700 per month**
 - Country Correction Coefficient

How is the monthly mobility allowance calculated?

- base rate * correction coefficient

Mobility Allowance - Cost Category 2

Is the mobility allowance taxed?

- Normally yes - it depends on local taxation rules
- Some institutes offer to operate this as a 'virtual real cost' category in accordance with their administrative procedures. This means that fellows can submit receipts for rent, household bills etc. which can be used to grant partial exceptions from tax

What records do we need to keep for EU audit purposes?

- Same as for living allowance and
- Evidence of the eligibility for the mobility allowance

What if the family status changes during the project?

- The mobility allowance is calculated for the family status at the time of recruitment to the project

Contribution to the research/training/ transfer of knowledge programme expenses Cost Category 3



How much?

- Fixed amount of €1.800 per fellow-month for multi-beneficiary and €1.200 for IDP & EID projects

What is it used for?

- It is used for the costs of performing the project:
 - Publication of vacant positions, training courses etc
 - Research costs, organisation of conferences, conference attendance etc
 - Co-ordination between participants including network meetings

... - Cost Category 3

How is it distributed between the partners (MULTI)?

- Calculated according to the fellow-months per beneficiary
- The full flat rate must always be reported by the beneficiary paying the fellow
- The consortium can agree to distribute it differently, in this case it should be addressed in the consortium agreement, but not in the reports

What if we don't use as many fellow months as foreseen?

- The fixed rate of €1.800/€1.200 applies to the implemented fellow months, therefore the maximum allowable for category 3, by the end of the project, = total fellow months delivered x 1800 or 1200

... - Cost Category 3

What documents to keep for an audit?

- For the purposes of the Grant Agreement, you do not need to keep detailed records of what the money was used for
- However, comply with the accounting rules of your institution as they normally require more records.
- In the case of an audit by the EU, the consortium will need to provide the same evidence as required for categories 1-2 i.e.:
 - Proof of the eligibility of the fellows
 - Employment contract/agreement with the fellow
 - Proof of payment of the salary to the fellow and of the deductions for social security etc
 - Evidence that the fellow worked on the project: this can include lab books, conference abstracts, library records, etc

Management activities - Cost Category 4

What is it used for?

- Costs associated with the preparation of the reports and other documents required by the REA:
 - Declarations of conformity, progress reports, mid-term report, periodic reports and final report
 - Certificate on financial statements (CFS)
- Consortium agreement
- Salary of a person recruited to manage the project
 - This can include the coordinators salary for the time spent on the management of the project only, i.e. time taken to write the reports, organise recruitment etc.
 - The person must keep timesheets
- It **does not** cover costs of coordination of research and technological development activities

Management activities - Cost Category 4

Is the 10% applied per period or per project?

The amount is applied per project, and does not need to be spent in the same timeframe as the fellow months nor divided equally per period

How is it distributed between the partners (MULTI)?

That is a decision of the consortium, normally the coordinator retains a larger share of the management costs. The distribution should be addressed in the consortium agreement

What if our total project costs are less than planned?

The 10% applies to the total accepted costs at the end of the project

Management activities - Cost Category 4

What records do we need to keep for EU audit purposes?

- This is a real cost category therefore you need to keep full evidence:
 - All receipts of expenditure
 - Full timesheets for personnel costs

- The receipts & timesheets do not need to be provided to the REA with the reports, however the periodic report must give an explanation of the breakdown of costs charged to cost category 4

Management activities - Cost Category 4 and sub-contracting

Is subcontracting allowed?

Yes → if foreseen in Annex 1 of the Grant Agreement (except for minor tasks, e.g. printing of leaflets)

What can be subcontracted?

Only **non-core** tasks

Many tasks of the coordinator cannot be subcontracted (See Article II.2.3)



II.2. Organisation of the consortium and role of coordinator

3. The coordinator shall:

- a) **administer the financial contribution** of *the Union* regarding its allocation between beneficiaries and activities, in accordance with this grant agreement and the decisions taken by the consortium. The coordinator shall ensure that all the appropriate payments are made to the other beneficiaries without unjustified delay;
- b) **keep the records and financial accounts** making it possible to determine at any time what portion of the financial contribution of *the Union* has been paid to each beneficiary for the purposes of the project;
- c) **inform the REA of the distribution of the financial contribution of the Union** and the date of transfers to the beneficiaries, when required by this grant agreement or by the *REA* ;
- d) **review the reports** to verify consistency with the project tasks before transmitting them to the *REA* ;
- e) **monitor the compliance by beneficiaries with their obligations under this grant agreement.**

The coordinator may not subcontract the above-mentioned tasks.

Management activities - Cost Category 4 and sub-contracting

What procedures do we need to follow?

- You need to follow the rules of your institution/country
- In addition the choice of subcontractor must be transparent, on the basis of equal treatment and represent best value for money

Why do I need to record all subcontracting costs?

- Subcontracting costs do not generate overheads (cat 5) therefore must be recorded separately to ensure correct calculation of Cat 5



Overheads - Cost Category 5

How much?

- Amount up to 10% of the total direct costs of the period.
- Excluding costs of subcontractors and the costs of the resources made available by third parties which are not used in the premises of the beneficiary

What records do we need to keep for EU audit purposes?

- None → beneficiaries do not report on the use of the overheads, only on the amount claimed

Overheads - Cost Category 5

Do we need to claim the money evenly over the lifetime of the project?

- Yes → the amount is applied per period, and must be proportional to the costs claimed for the reporting period

How is the overhead budget reported?

- It is always 10% per partner per period of the other cost categories less subcontracting

ASSOCIATED PARTNERS

How are the costs of Associated Partners reimbursed?

The costs of the Associated Partners can be reimbursed through invoices to the beneficiary. The cost of the invoice paid by the full participant is then covered by the EU contribution under the cost category relevant for the activity/ies carried out by the Associated Partner

Parental and Maternity Leave

Can a fellow take maternity or parental leave?

- Yes → in accordance with the national legislation

Are the costs of the leave eligible?

- Yes → When mandatory under national law

What costs can we claim?

- Only compulsory and non-recoverable costs under the applicable national law are reimbursed by the Commission

Will the EU contribution automatically be increased by that amount?

- Typically in host-driven actions by the end of the project the total amount of costs claimed are less than the maximum EU contribution therefore any eventual increase will take remaining funds into account.



Non-eligible costs**

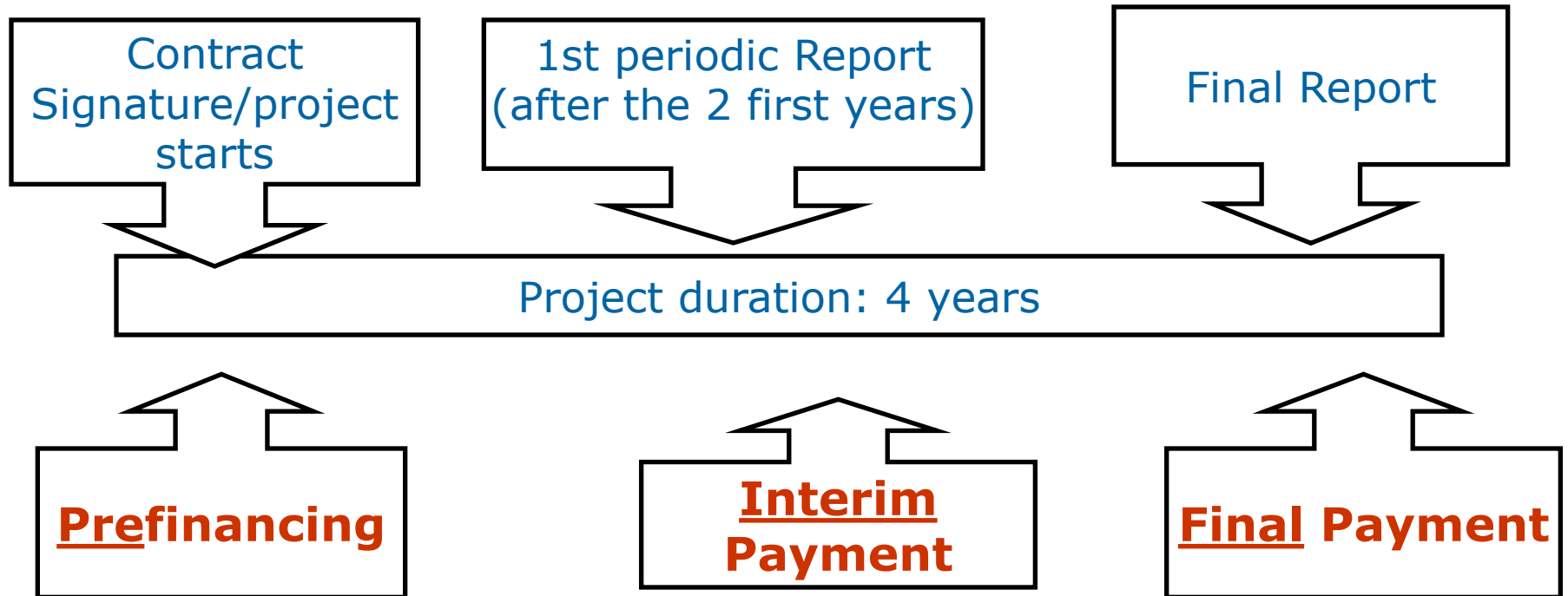
- Identifiable taxes, including VAT**
- Duties**
- Interest owed**
- Provisions for possible future losses/charges**
- Exchange losses, etc**
- Costs reimbursed in respect of other EUs project**
- Debt and debt service charges**
- Excessive or reckless expenditure**

** does not apply to flat rates (Cat 3)



2. Project lifecycle and payments

Finances and project life cycle



Maximum payments

TOTAL EU CONTRIBUTION = 100%



Prefinancing = 65%

60% for project

5% for Guarantee fund

Interim Payment = 25%

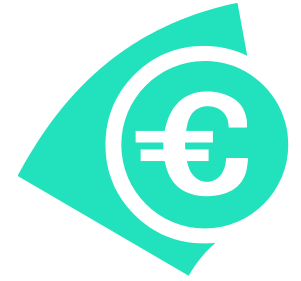
Final Payment = 10%

**Guarantee Fund
reimbursement = 5%**

After final payment

Project duration

Pre-financing



How Much?

- 65% of total EU Contribution
 - 60% of total EU contribution → consortium
 - 5% of total EU contribution → Guarantee Fund

Do we need to submit documents to claim it?

- No → the payment is made automatically within 45 days of the deadline in the core Grant Agreement
 - Either start date or date of signature by both parties

Who owns the prefinancing?

- The EU, pre-financing remains the property of the EU until the final payment is made

... Pre-financing

How is it distributed among the partners (MULTI)?

- That is a decision of the consortium and should be addressed in the consortium agreement

Tell me more about the Guarantee Fund...

- A fund developed to manage the risk associated with the non-recovery of sums owed to the EU, e.g. in the case of a partner going bankrupt
- The contributions are invested and the interest gained provides the funds
- Managed by the European Investment Bank
- Contribution is reimbursed to the consortium at the end of the project





Interim payment

How Much?

- Up to 25% of total EU Contribution
 - Based on costs claimed in the periodic report
 - Is a reimbursement of accepted costs

Do we need to submit documents to claim it?

- Yes → the payment is made based upon the information in the submitted periodic report and cost claim forms

Who owns the interim payment?

- The consortium, this payment is as a payment based on the costs incurred.

Who receives the interim payment?

- The coordinator, who distributes it among the consortium members

Some examples

Project max. EU contribution = €1.000.000

Prefinancing paid = €650.000

→ Coordinator receives €600.000

→ Guarantee Fund receives €50.000

EXAMPLE 1

Submits Period 1 cost claim for
€400.000

Maximum amount payable for interim
period = €250.000

Balance remaining payable =
€100.000

EXAMPLE 2

Submits Period 1 cost claim for
€150.000

Maximum amount payable for
interim period = €150.000 i.e.
amount claimed

Balance remaining payable =
€200.000

Final Payment

How Much?

- The balance of the money owed to the consortium based on the final accepted costs

Do we need to submit documents to claim it?

- Yes → the payment is made based upon the information in the submitted periodic report and cost claim forms

What if our final costs are higher than foreseen in the project?

- The payment is capped at the negotiated EU contribution and any amounts exceeding this will not be reimbursed

Final Payment

Who receives the final payment?

- The payment is made to the coordinator who distributes it among the consortium members

Do we need to submit documents to receive the Guarantee Fund amount?

- No → this is done automatically when processing the final payment



3. Financial reporting

Financial statements (Form C)

How to and who needs to submit cost claims?

- Each beneficiary (and third party) submits a financial statement, Form C, via the Participant Portal
- the electronic reports must be printed and signed and transmitted to the REA via the coordinator
- In addition the coordinator submits the following:
 - a summary financial report
 - after receipt of the final payment, a funding distribution report

When do we submit financial reports?

- With the periodic reports after year 2 and at the end of the project

Reporting requirements

What is a Certificate on Financial Statements (CFS)?

- This is a certificate provided by an external auditor or competent person to certify that the costs claimed in the financial statements are in accordance with relevant legal and financial provisions of the FP7 model grant agreement

When is a CFS required ?

- A CFS is only required when the uncertified costs claimed to date, including costs in previous reporting periods, are $\geq 375,000$ €

Does the coordinator have to submit a CFS for the amount of prefinancing received?

- No → the coordinator only reports on the actual costs spent by that institution

Reporting requirements

What if a beneficiary submits a CFS for an amount less than 375,000 €

- In this case the costs of the CFS are not eligible and cannot be charged to the Grant Agreement

How do we pay for the CFS?

- It is an eligible expense in Cat 4. If an external auditor is used it is subcontracting

Some examples

Partner 1

- Costs claimed period 1: €200.000
 - CFS not required
- Costs claimed period 2: €200.000
 - total uncertified costs claimed = period 1 + period 2 = €400.000
 - CFS required**

Partner 2

- Costs claimed period 1: €400.000
 - CFS required
- Costs claimed period 2: €300.000
 - total uncertified costs claimed = period 2 only
 - no CFS required as uncertified amount < €375.000**

Exchange rates

Can we report our costs in local currency?

- No → all costs must be in Euro

What exchange rates do we use ?

- The European Central Bank rates on either:
 - The date the costs were incurred
- or
 - The first day of the month following the end of the reporting period.
e.g. project start date 1/10/2012, period 1 ends 30/09/2014, exchange rate is that of 01/10/2014

Where do we find the European Central Bank rates?

- On their website: <http://www.ecb.int/home/html/index.en.html>



Where to find information?



Grant Agreement

- In particular Annexes II and III

Marie Curie website

- <http://ec.europa.eu/mariecurieactions/>
- Funded Projects
 - 'How to manage my project' page
- About page
 - Includes contact details of National Contact Points

Documents

- Work programme
- Guide for Applicants
- MC Financial Guidelines



**THANK YOU
FOR YOUR ATTENTION!**