

Financial management of Horizon Europe Grants

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Acronym: BIOLAWEB
Boosting Institute of Chemistry,
Technology and Metallurgy in
Water Biomonitoring

Grant No: 101079234

Type of action: HORIZON Coordination and
Support Actions (HORIZON - CSA)

Starting Date: 01/10/2022

Duration: 36 months



Expert visit, Belgrade, April 2023

Horizon Europe financial rules

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One single model of grant agreement for all European Grants

- Model used by all granting authorities managing directly a European funding program
- Aims to harmonise the contractual models for all post-2020 programs
- Use the same terminology across programs
- Ensure uniform and consistent interpretation of rules
- Create synergies between programs
- Specific options and Specific annex for 'special rules'



Horizon Europe Structure of the Model Grant Agreement

Data sheet

Synthesis of key parts and specific data (duration, start date, participants, grant amount...)

Core text

Chapter 1 –General (Articles 1-2)
Chapter 2 –Action (Articles 3-4)
Chapter 3 –Grant (Articles 5-6)
Chapter 4 –Grant Implementation (Articles 7-26)
Chapter 5 –Consequences of non-compliance(Articles 27-35)
Chapter 6 –Final provisions (Articles 36-44)



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Horizon Europe Structure of the Model Grant Agreement

A dark blue arrow with a white outline, pointing from the left towards the central teal box.

Annexes

Annex 1 - Description of Action (DOA)

Annex 2 – Budget

Annex 3 - Access form for Beneficiaries

Annex 4 –Financial Statement model

Annex 5 – Special rules



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The Annotated Model of Grant Agreement

- The AGA — Annotated Grant Agreement is a user guide that aims to explain to applicants and beneficiaries the EU Model Grant Agreements for the EU funding programs
- The purpose of this document is to help users understand and interpret their Grant Agreements (GAs). It seeks to help readers find answers to the practical questions they may come across when setting-up or implementing their projects
- In the same spirit, the document's structure mirrors that of the EU Model Grant Agreements (MGAs). It explains each MGA Article and includes examples where appropriate
- The document is regularly updates, the last version has just been published April 1st 2023



Financial management of Horizon Europe Grants

Type of Actions:

Research and Innovation Actions (RIA)

Innovation Actions (IA)

Coordination and Support Actions (CSA)

European Research Council Actions (ERC actions)

Marie Skłodowska Curie Actions (MSCA)

Funded on Actual Costs
100% of the eligible costs but funding rate can depend on the call
+ lump sum for certain calls

Funded via unit costs

Marie Skłodowska Curie Actions (MSCA)



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Horizon Europe (RIA, IA CSA, ERC actions - Cost Categories (annex 2)

(A) Direct personnel costs - A.1 Employees - A.2 Natural persons under direct contract - A.3 Seconded persons - A.4 SME owners and natural person beneficiaries	(B) Subcontracting costs	(C) Purchase costs - C.1 Travel and subsistence - C.2 Equipment - C.3 Other goods, works and services	(D) Other Cost Categories - D.1 Financial support to third parties - D.2 Internally invoiced goods and services +	(E) Indirect Costs
Actual costs (in general)	Actual costs	Actual Costs	Actual costs Internally invoiced goods and services: unit costs	Flat rate of 25% of the direct eligible costs, except subcontracting



Horizon Europe (RIA, IA CSA, ERC actions - Cost Categories (annex 2)

Total Costs	EU Contribution to eligible costs			Maximum Grant Amount
	Funding rate	Maximum EU Contribution	Requested EU Contribution	
Sum of direct and indirect costs	100% or less depending on the call	Total costs * funding rate	Amount requested	Amount Grant (is the project is duly justified)



General eligibility conditions for actual costs 1/2

These conditions apply to all eligible direct costs (art 6.1 of Grant Agreement)

- 1) They must be actually incurred by the beneficiary
- 2) They must be incurred during the action (except for the time spent on the last reporting)
- 3) They must be declared under one of the budget categories of Annex 2 of the Grant
- 4) They must be incurred in connection with the action and necessary for its implementation



General eligibility conditions for actual costs 1/2

- 5) They must be identifiable and verifiable in particular recorded in the beneficiary's accounts in accordance with the accounting standards applicable in the country where the beneficiary is established and with the beneficiary's usual cost accounting practices
- 6) They must comply with the applicable national law on taxes, labour and social security
- 7) They must be reasonable, justified and must comply with the principle of sound financial management in particular regarding economy and efficiency



Direct Costs

Direct costs are costs that are directly linked to the action's implementation and can be attributed to it directly. They must not include any indirect costs

Direct costs are:

- costs that have been caused in full by the action
- or costs that have been caused in full by several actions and the attribution to a single action can, and has been, directly measured (e.g. not allocated via cost drivers)

They must be justified by sufficient persuasive evidence showing the direct link to the action:

- Must be properly recorded in order to allow direct measurement of the use for the action and to ensure auditability
- The measurement system used by the beneficiary must accurately quantify the cost
- Direct measurement of costs does not mean fair apportionment of costs through proxies, cost drivers or allocation keys. If you use them, it means that it is indirect cost.



Personnel Costs

A.1 Employees	A.2 Persons under direct contracts A.3 Seconded persons against payments
For your personnel working under an employment contract (or equivalent appointing act e.g for civil servants) and assigned to the action	Costs for natural persons working under a direct contract other than an employment contract (e.g. in house consultants) Cost for seconded persons by a third party against payment



How to budget your personnel costs during the preparation of your proposal ?

The information you have to fill-in are quite simple: the total costs it represent (plus the total of person-month)

European Commission doesn't make any difference between permanent staff and short term contracts, and this information is not specified in the proposal

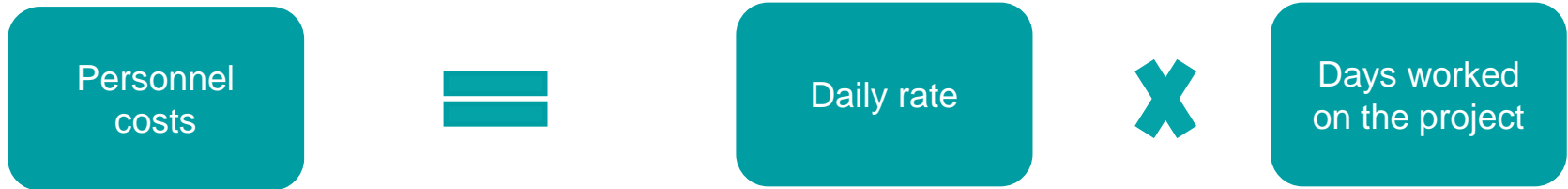
Recommendation: use your average costs to budget your personal costs, in order to avoid discrepancies

Person-month are not defined by the European Commission, there's no fixed rule, You just have to be coherent between your calculation at the stage of the setting up of the proposal and its justification



How to calculate the personnel costs for the financial reporting?

One single method shall used for every employee (either permanent or short term contract) per reporting period



>person month is not used in the calculation of personnel costs



How to calculate the personnel costs for the financial reporting?

Definition of the daily rate



How to calculate the personnel costs for the financial reporting?

Examples:

For a reporting from January 2021 to June 2022 (18 months)

Actual costs of the employee from
Jan 2021 – Jun 2022

215 /12
Multiplied by 18



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How to calculate the personnel costs for the financial reporting?

This calculation must be made for each employee working in the action, for each reporting period

If a person works part-time, a pro-rata shall be made: for example, if she is a 50 % part-time permanent employee during a full calendar year, the maximum number of day-equivalents to be used in the daily rate formula would be: 215×0.5 [for 50% part-time]



Records of days worked during the action

Two possibilities:

use **reliable time records** (i.e. time sheets) either on paper or in a computer based time recording system

Or

sign a **monthly declaration** on days spent for the action



Reference of 215 days

A conversion based on a fixed number of hours can be used for beneficiaries with no reference in their contracts nor standard annual productive hours

- **day equivalent 8 hours**

There are 2 other methods but as a primo participant: we recommend to use this method, easier to implement



Subcontracting costs

- Subcontracting covers the implementation of action tasks by subcontractors
- Subcontracting costs must be defined in the Description of Action (Annex 1 of the Grant Agreement) and in the budget (Annex 2) and are just allowed for minor services which do not include research and major tasks: it is not allowed to add subcontracting costs if it was not in the Annexes
- Subcontracting is not allowed between beneficiaries nor affiliated entities of the project
- Subcontracting must be based either on the best value for money (considering the quality of the service, good or work proposed, i.e. the best price-quality ratio) or on the lowest price not be subject to conflict of interest



Purchase costs

Travel costs and related subsistence allowances

Flight ticket and transportation costs, hotel, food and/or per diem, for team members and visiting experts

- Team Members = those working on the project, paid or non paid by the grant
- Visiting experts = participation foreseen in DoA
- Conference fees are not "travel costs" but "other goods and services"

Other goods, works and services

costs for consumables

Dissemination costs & Publications, translations costs

Costs related to intellectual property rights (IPR)

Conditions:

Necessary to implement the action

Best value of money (best price-quality ratio), or, if appropriate, the lowest price

Avoid conflict of interests

National law on public procurement



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Purchase costs

Equipment costs

Eligibility not of the purchase of the equipment, but of the depreciable amount of the equipment which must be allocated on a systematic basis over its useful life (i.e. the period during which the equipment is expected to be usable)

If the equipment's useful life is more than a year, the beneficiary can NOT charge the total cost of the item in a single year

Depreciated equipment costs can NOT exceed the equipment's purchase price

If the beneficiary does not use the equipment exclusively for the action, only the portion used on the action may be charged; the amount of use must be auditable (i.e time sheets)



Budget flexibility

The budget breakdown may be adjusted without an amendment

- by transfers (between participants and budget categories), as long as this does not imply any substantive or important change to the description of the action in Annex 1
- >as long as the tasks are not modified, and you can explain the discrepancies, the modification will be accepted

However, these changes require an amendment:

- changes to budget categories with lump sums costs or contributions (if used; including financing not linked to costs)
- changes to budget categories with higher funding rates or budget ceilings (if used) always require an amendment
- addition of amounts for subcontracts not provided for in Annex 1 either require an amendment or simplified approval in accordance with the provisions of the Grant Agreement



Periodic Financial Report

Financial report

Consists of structured forms from the grant management system, including:

Individual financial statements (Annex 4 to the GA)

For each beneficiary (and third parties)

Includes explanation of the use of resources and the information on subcontracting and in-kind contributions provided by third parties, from each beneficiary for the reporting period concerned

The periodic summary financial statement including the request for interim payment



Project roles on the portal

LEAR (Legal Entity Appointed Representative)

The LEAR serves as a trusted administrative contact for the Commission, providing reliable information at the level of the organisation.

Usually LEARs are administrative staff members in the central administration of the organisation.

The LEAR handles all the organisation-related data on the Funding & Tenders Portal and appoints representatives within their organisation to electronically sign grant agreements or financial statements for project costs.

There can only be **one LEAR per organisation**.



Project roles on the portal

Primary) Coordinator Contact (PCoCo/CoCo)

Main contact point between the consortium and the Commission for a particular grant. By default this is the proposal initiator in the submission phase.

The PCoCo can nominate or revoke an unlimited number of Coordinator Contacts (CoCos) of all partners, who will then have the same rights - except the right to revoke the PCoCo.

All Coordinator Contacts can:

Nominate/revoke Participant Contacts for other organisations in the consortium Coordinator - for this reason, it is important to give all your partner organisations access to the proposal on the Funding & Tenders Portal as soon as possible.

Nominate/revoke Task Managers and Team Members in their own organization assign Legal and Financial Signatories in their organisation to their projects

Make changes to project documents on the Funding & Tenders Portal

Submit proposals and project documents to the Commission



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Project roles on the portal

Participant Contact (PaCo)

Representative of any other organisation in the consortium that is not the coordinator. There can be an unlimited number of PaCos per project, and each will be able to:

- nominate/revoke other PaCos in their organisation
- assign Legal and Financial Signatories in their organisation to their projects
- submit their work to the Coordinator
- nominate/revoke Task Managers and Team Members in their own organization
- make changes to project documents on the Funding & Tenders Portal
- submits information directly to the Commission

Task Manager (TaMa)

TaMas can perform some restricted actions like creating, updating and uploading documents about their organisation's participation, completing, modifying and deleting project information in the administrative web forms of the organisation. An organisation can have an unlimited number of TaMas per project. They cannot nominate or revoke anybody and submit information to the Coordinator or Commission. This role is not used during the proposal submission phase.

Team Member (TeMe)

TeMes have limited access right



Project roles on the portal

Project Legal Signatory (PLSIGN)

Person who has the right to sign grant agreements and amendments on behalf of the organisation. You can have one or more LSIGNs per project.

Project Financial Signatory (PFSIGN)

Person who has the right to sign financial statements for grants on behalf of the organisation managed through the electronic exchange system. You can have an unlimited number of FSIGNs per project.

Once appointed by the LEAR, LSIGN and FSIGNs can be assigned to a particular project by a Coordinator or a Participant Contact. Only after becoming a PFSIGN in this way can an FSIGN appointed to a project sign a financial statement.



Good practices to implement

- Check upstream who will be involved on the project in order to remind him the necessity of fill-in time sheets
- Check on a regular basis the completion of time-sheets in order to know the involvement of the employees
- Anticipate as early as possible any change in the budget
- Do not hesitate to contact your project officer in case of doubt (eg: whether the change requires an amendment)
- Keep and archive all the written proofs



Lump Sum Financing



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Why using Lump Sum?

Reducing the financial error rate

- Following the ECA annual reports 2019 and 2020, there is wide agreement that the error rate in the R&I Framework Programmes must be reduced
- Lump sums are a key measure to achieve this in Horizon Europe

Significant simplification potential

- Funding based on reimbursement of real costs remains complex and error-prone. Little scope for further simplification
- Lump sums remove the obligation to report actual costs and resources
- Easier to use for beneficiaries with limited experience

Focus less on financial management and more on content



Why using Lump Sum?

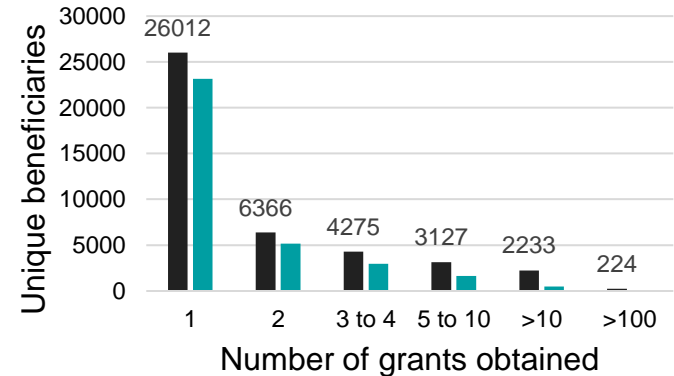
Easier access to HE programme

Very small share of beneficiaries have more than 100 grants: in particular large entities which have dedicated staff and procedures to deal with actual costs

Vast majority of beneficiaries have only 1 or 2 grants per programme

Most of them SMEs or newcomers
 Little or no previous experience
 Need a simple funding model

Participation of 42k beneficiaries in H2020



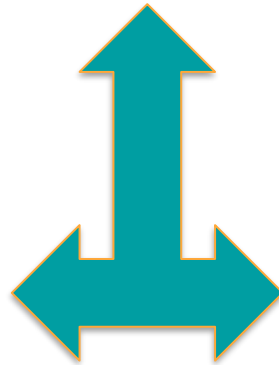
- all beneficiaries
- of which SMEs or newcomers



Two lump sum options

Type 1

Lump sum
fixed in the call
for proposal



Type 2

You define the
lump sum in
your proposal



Lump Sum – Budget Construction

To define and justify the lump sum, you need to provide a detailed budget table with cost estimations (template available) for each cost category per beneficiary (and affiliated entity if any) and per work package.

The cost estimations must be an approximation of your actual costs.

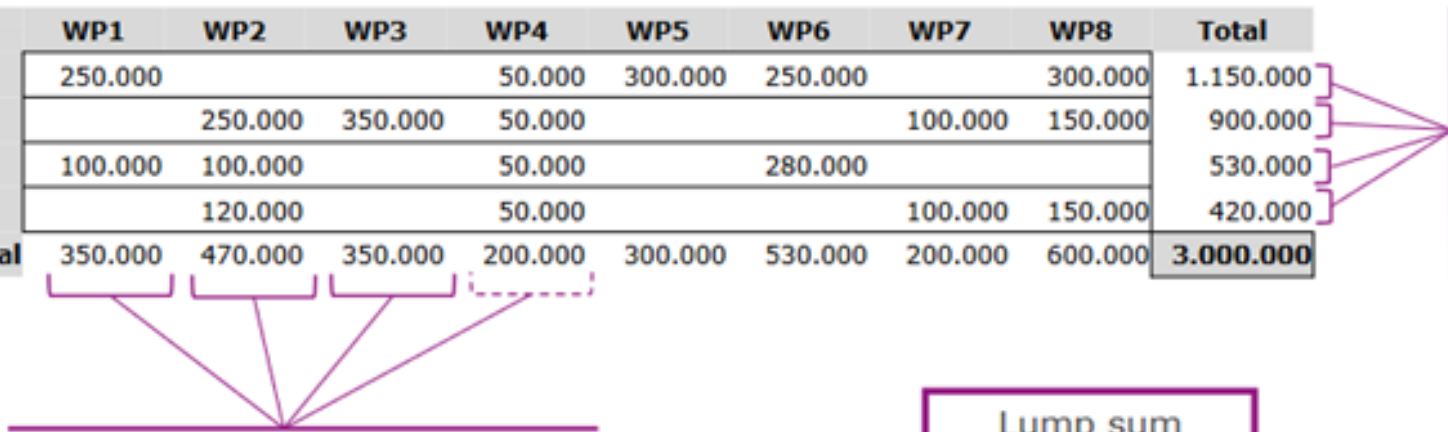
They are subject to the same eligibility rules as in actual costs grants

The cost estimations are used to generate in the detailed budget table a breakdown of lump sum shares per work package and per participant.



Budget flexibility

	WP1	WP2	WP3	WP4	WP5	WP6	WP7	WP8	Total
Beneficiary A	250.000			50.000	300.000	250.000		300.000	1.150.000
Beneficiary B		250.000	350.000	50.000			100.000	150.000	900.000
Beneficiary C	100.000	100.000		50.000		280.000			530.000
Beneficiary D		120.000		50.000			100.000	150.000	420.000
Total	350.000	470.000	350.000	200.000	300.000	530.000	200.000	600.000	3.000.000



Lump sum
=
Maximum grant
amount

Budget flexibility

Pre-financing payment

- Same function and same rules as for other grants
- Coordinator distributes the amount according to consortium agreement

Interim payment(s)

- One or more
- We pay the shares of the lump sum set out in Annex 2 for the work packages completed & approved in the reporting period

Payment of the balance

- Closes the financial aspects of the grant
- Partial payment for partially completed WPs possible
- Releases the amount retained for the Mutual Insurance Mechanism



Reporting and audit

You need (e.g.)



- Technical documents
- Publications, prototypes, deliverables
- Documentation required by good research practices such as lab books
 - ...any document proving that the work was done as detailed in Annex 1

You don't need



- Time-sheets
- Pay-slips or contracts
- Depreciation policy
- Invoices
- ...any documents proving the actual costs incurred



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Any question?

Do not hesitate to contact antoine.moatti@inrae.fr



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