

# ***Framework Programme 7 payments PART I***

Eligible costs & funding limits



# Payments in FP7

## Overview Part I

- Cost reimbursement
- Eligible and non-eligible costs
- Non-profit and co-financing, receipts
- Different reimbursement rates depended on the type of organisation, of action and/or activity
- Indirect Costs – paid based on the organisation's indirect cost model (ICM)
- Personnel costs
- Third parties



# Reporting in the contract

- Article 4 sets the reporting periods
  - Specific to each project
- Article II.4 sets the reporting obligations
- Article II.5 sets the approval of reports and deliverables, time-limit for payments
  - the Commission pays interest on the late payment
- *The Commission may initiate a technical audit or review at any time during the implementation of the project to assess the work carried out under the project (Article II.23)*



# Payments in FP7- Eligible and non-eligible costs

- Eligible costs
  - Actual
  - Incurred by the beneficiary
  - Incurred during the duration of the project ...
  - Be determined in accordance with its usual accounting and management principles
  - Used for the sole purpose of achieving the objectives of the project
  - Recorded in the accounts of the beneficiary
  - Must be indicated in the estimated overall budget
- Non-eligible costs (identifiable indirect taxes including VAT,...)



# Payments in FP7- No-profit and receipts

- The Community contribution cannot give rise to any profit for any beneficiary (see Art.II.18.3)
- Income generated by project (receipts) may reduce EU funding (see Art.II.17)



# Receipt

- Receipt may arise from
  - Resources made available by third parties by means of financial transfers or contributions in kind which are free of charge
    - Shall be considered a receipt if contributed specifically to be used on the projects – it is not a receipt if the use is at the discretion of the beneficiary's management
  - Income generated by the project
    - Shall be considered a receipt when generated by actions undertaken in carrying out the project and from the sale of assets purchased under the grant agreement – it is not a receipt when generated from the use of foreground resulting from the project
- To be declared at each reporting period by each participant – to be accounted for at the end of the project (no-profit)



# Reimbursement rates (1)

| Maximum reimbursement rates of eligible costs | Research and technological development (*) | Demonstration activities | Management of the consortium activities | Other activities |
|---|--|--------------------------|---|------------------|
| Network of excellence                         | 50%<br>75% (**)                            |                          | 100%                                    | 100%             |
| Collaborative project                         | 50%<br>75% (**)                            | 50%                      | 100%                                    | 100%             |
| Coordination and support action (***)         |  |                          | 100%                                    | 100%             |

(\*) Research and technological development includes operational activities directly related to the protection of foreground and coordination of research activities.

(\*\*) For *beneficiaries* that are non profit public bodies, secondary and higher education establishments, research organisations and SMEs

(\*\*\*) The reimbursement of indirect eligible costs, in the case of coordination and support actions, may reach a maximum 7% of the direct eligible costs, excluding the direct eligible costs for subcontracting and the costs of reimbursement of resources made available by third parties which are not used on the premises of the beneficiary.

## Reimbursement rates (2)

- Research and technological development activities include scientific coordination
- Demonstration includes testing of products such as prototypes
- 'Other activities' include dissemination, networking, coordination, intellectual property, ...
- Management include the activities mentioned under Art. II.2





# Indirect cost models – ICM (1)

- a) Actual overheads
  - simplified method under certain conditions
- b) Flat rate of 20% of direct costs
  - minus subcontracting and 3rd parties not used on the premises of the beneficiary
- c) Flat rate of 60% of direct costs
  - **Only** for funding schemes with RTD and Non profit Public Bodies, Secondary and Higher Education establishments, Research Organisations and SMEs unable to identify real indirect costs per project
  - minus subcontracting and 3rd parties not used on the premises of the beneficiary
  - For Coordination and Support Actions (CSA): reimbursement of indirect eligible costs **limited to 7% of direct costs** (not a flat rate)



# Indirect cost models –ICM (2)

- **Simplified method**
- A participant may use a **simplified method** to calculate its **indirect costs** at the level of the legal entity if this is in accordance with its usual management and accounting principles
- Requisites:
  - Be able to identify costs in order to remove non-eligible costs
  - But cannot provide an analysis of the indirect costs at a detailed level (centre, department)
  - All indirect costs are to be allocated using a cost driver which accounts for all the productive hours of the entity and not only for the research productive hours
- **Why this approach?**  
facilitate the transition from the FP6 Additional Cost model (abolished) towards the declaration of actual indirect costs



## Indirect cost models – ICM (3)

- Single model of indirect costs declaration per beneficiary in FP7
- Possibility to “improve”: from a “flat rate” to “simplified” or analytical accounting system
- **Exception:** Special clause foreseen for legal entity using “flat rate” but departments/faculties with better accounting capabilities using “actual”



# Personnel costs

- Must be directly hired
- Work on the sole technical supervision and responsibility of the beneficiary
  - Special case: « In-house consultants »
- Be remunerated in accordance with the normal practices of the beneficiary
- **NEW!** Special case for SME owners



# How to calculate personnel costs?

- Only the cost of the actual hours worked by the persons directly carrying out work under the project
- A reliable time recording needed for reconciliation of
  - Total hours where personnel works on several projects during the same period AND
  - Activity because of different reimbursement rates
- For details see the Guide to Financial Issues relating to FP7 Indirect Actions:
  - Productive hours
  - Overtime
  - Consultants, physical persons not receiving a salary and bonus payments,
  - ...)
- Beneficiaries may opt to declare average personnel costs



# Who are Third parties?

- Third parties carrying out part of the work
  - Subcontractors
  - Specific cases: EEIG, JRU, affiliates carrying out part of the work (special clause 10)
- Third parties making available resources



# Third parties – Subcontractors (Art. II.7)

- In business contract between beneficiary, who is still bound by grant agreement
- Subcontracts may cover only a limited part of the project
- Tasks and costs have to be justified and indicated in Annex I
- Contracts must be awarded according to best value for money, transparency and equal treatment
- External support services may be used for assistance in minor tasks



# Third parties

- The case of EEIG, Joint Research Units or affiliates carrying out part of the work
  - Explicitly mentioned in the grant agreement under the special clause 10 and in the technical Annex I.
  - 3rd parties under Special Clause 10 are supported by NEF .
  - Data to be entered by the beneficiary they are linked to
  - 3rd parties must submit cost according to their own “FP7 account data” as regarding reimbursement rates and model for indirect costs.
  - 3rd parties submitting costs must be registered and validated in URF





# Third parties providing resources

- Third parties making available resources
  - Indicated in Annex I
  - Costs may be claimed by the beneficiary
  - Resources “free of charge” may be considered as receipts



# More information?

- *Grant Agreement*
  - *Core contract*
  - *Annex I Description of work*
  - *Annex II General Conditions (v6)*
- *Guide to Financial Issues to FP7 Indirect Actions*
- *Guidance notes for beneficiaries and auditors on certificates issued by external auditors*
- *Guidance notes on project reporting*
- [http://cordis.europa.eu/fp7/find-doc\\_en.html](http://cordis.europa.eu/fp7/find-doc_en.html)
- **Your Project Officer**



# ***Framework Programme 7 payments PART II***

Reporting, cost claims and payments



# Payments in FP7

## Overview Part II

- Reporting requirements
- Demo – Use of NEF
- Demo - Reporting costs, how to fill in Form C
- Demo - How the coordinator submits the periodic report
- Payment modalities
- Controls and audits

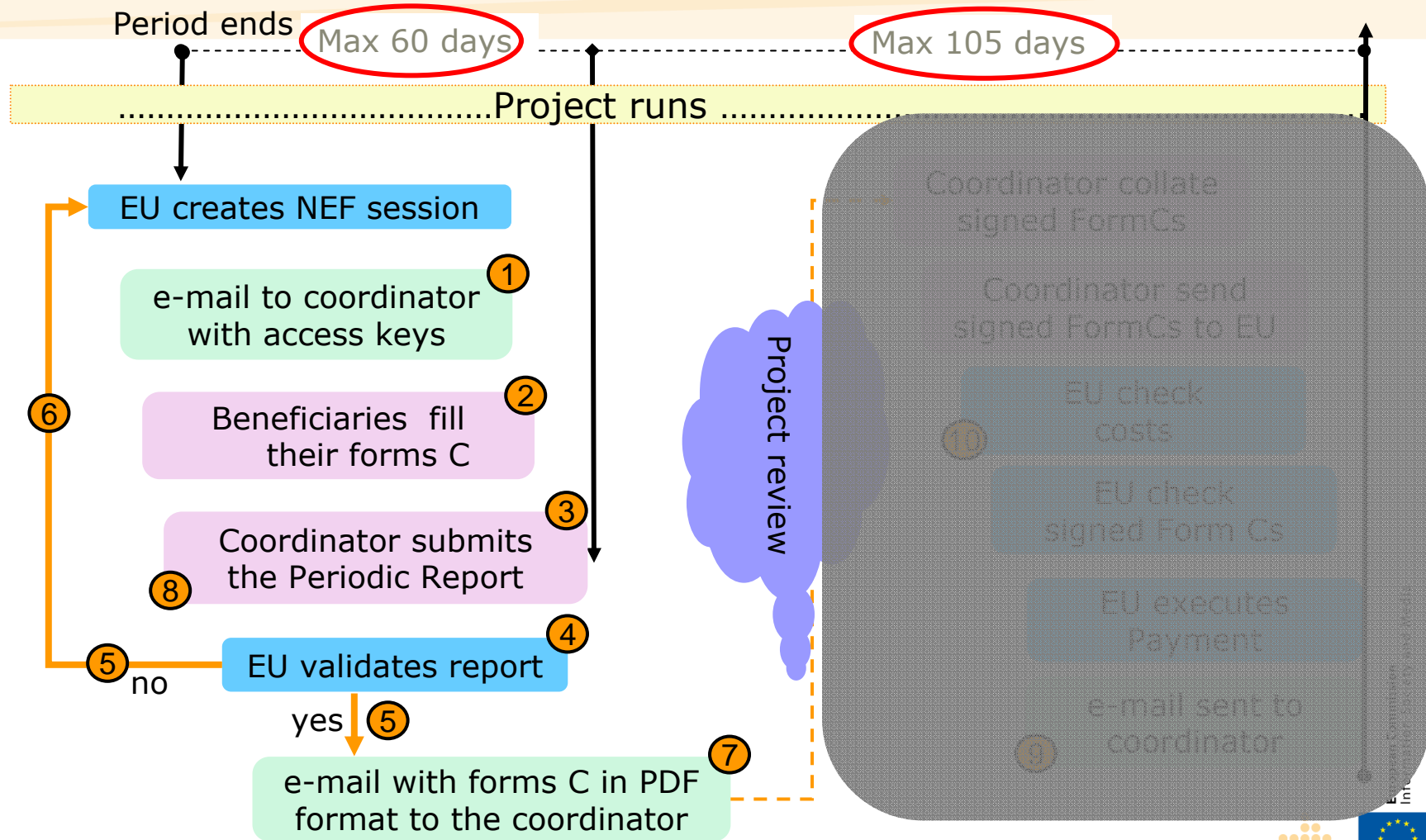


# Reporting requirements

- **During the project**
  - Periodic report (within 60 days of the end of each reporting period defined in Article 4) including the last reporting period
    - Including an Explanation of the use of resources
  - Deliverables identified in Annex I
- **End of the project (within 60 days)**
  - Publishable summary report, conclusions and socio-economic impact, covering wider societal implications and a plan on use and dissemination of results
- **After receiving the final EC payment**
  - Report on the distribution of the EC financial contribution between beneficiaries



# Business workflow – new ways of cooperation



# Periodic reporting – Use of NEF

- Contractual reporting requirement
  - By the Coordinator
  - By the beneficiaries/third party
- Use of NEF
  - Getting access: coordinator, beneficiaries and third parties
  - Payment sessions



# Accessing NEF

- Login + Overview





# Business workflow – new ways of cooperation

- Advantages
  - Pro-active management
  - Re-use rather than re-entry of contractual data
    - Efficiency
    - Consistency between data in the contract and data in the Form C
  - Time to payment
  - Avoidance of errors



# Cost reporting @participant level

- Form C (see Annex VI – form specific to the instrument)
  - Costs
    - Direct costs
    - Indirect costs
  - Receipts
  - Interest
  - Certificate on the methodology
  - Certificate on the financial statement
  - Beneficiary's declaration on its honour
- The individual Form C is also used for
  - 3<sup>rd</sup> parties under Special Clause 10
  - Adjustments to previous periods



# Form C – NEF and controls

- DEMO Filling Form C + 3rd parties



# Form C – NEF controls

- Use correct reimbursement rate and correct calculation of maximum Community contribution
- Correct calculation of ICM in case of flat rate
- Possible to request less funding
- Control on submission of Certificate on the Financial Statement (CFS)
- Special case of Coordination & Support Actions
  - ICM
  - Reimbursement rate



# Form C – Certificate on the financial statement (CFS)

See separate presentation – when a  
Certificate on the Financial Statement  
is needed



# Submission of periodic report by the coordinator

- Reports and other deliverables to be submitted to the Commission by electronic means
- Original copies of the signed financial statements, certificates and self declaration of the coordinator shall be sent to the Commission by post

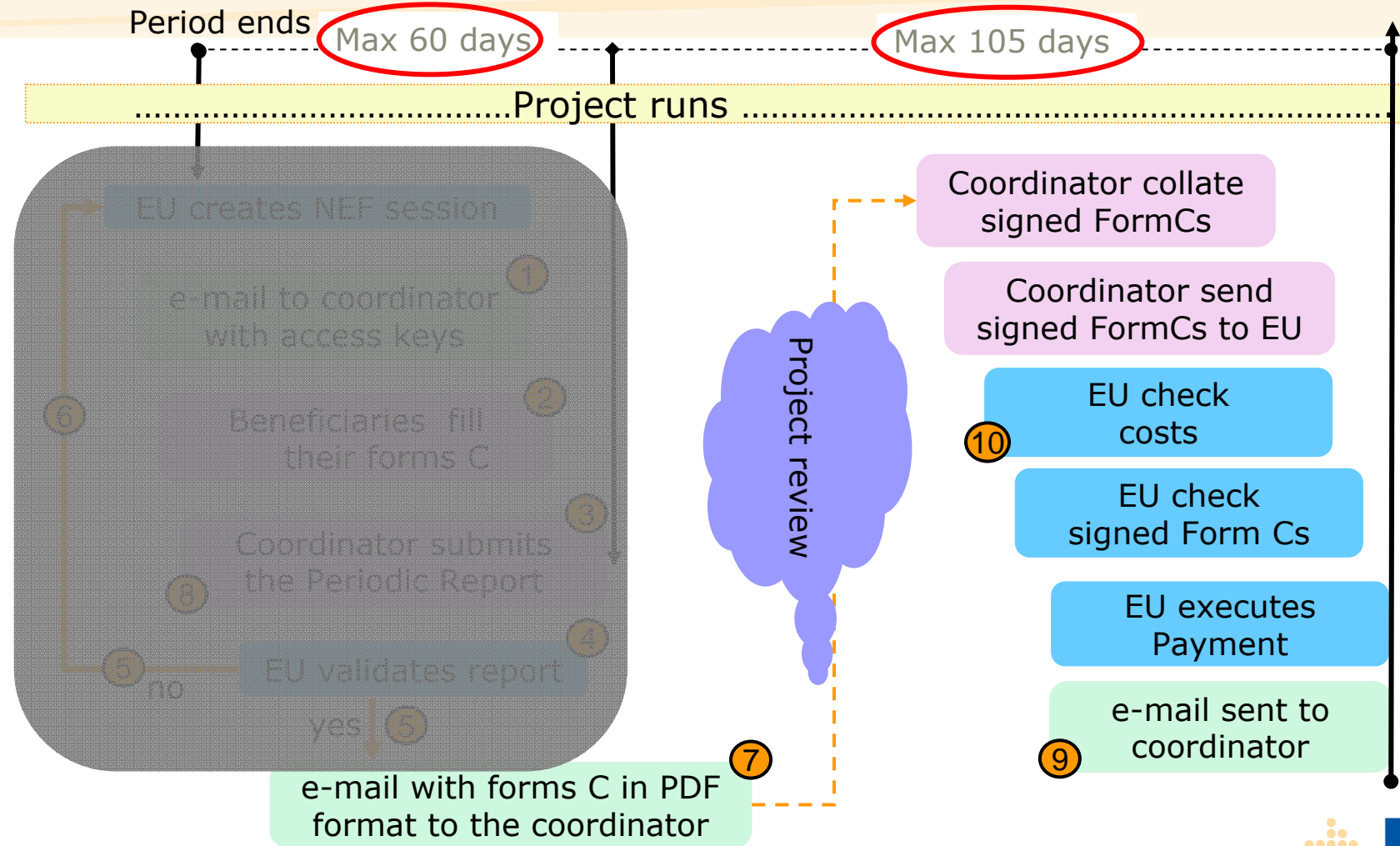


# Submission of the periodic report by the coordinator

| Periodic report template   | DG INFSO upload NEF   |
|--|---|
| Self declaration   | Self declaration  |
| 1. Publishable summary   | <ul style="list-style-type: none"> <li>Publishable summary</li> </ul>   |
| 2. Project objectives for the period<br>3. Work progress and achievements during the period<br>4. Deliverables and milestones tables | <ul style="list-style-type: none"> <li>Project objectives ...</li> </ul>                                      |
| 5. Project management<br>6. Explanation of the use of the resources  | <ul style="list-style-type: none"> <li>Project management ...</li> </ul>                                      |
| 7. Financial statements – Foms C and Summary financial report<br>8. Certificates   | <ul style="list-style-type: none"> <li>NEF on-line forms</li> <li>CFS uploaded by each beneficiary</li> </ul> |



# Business workflow – new ways of cooperation





# Self declaration

- The periodic report is an accurate description of the work carried out for this reporting period
- The project (tick as appropriate)
  - Has achieved its objectives and technical goals for the period;
  - Has achieved most of its objectives and the technical goals for the project with relatively minor deviations
  - Has failed to achieve critical objectives and/or is not at all on schedule
- The public web site is up to date
- To the best of my knowledge, the financial statements are consistent with the report on the resources used for the project
- Signature of Coordinator: .....



# Submission of the periodic report by the coordinator

- + DEMO (screen-shot of the submission screen)



# Payment modalities I

- Commission has 105 days to evaluate and execute the corresponding payment
  - No tacit approval of reports
  - EC will pay interest on late payment
- After reception of reports the Commission may
  - Approve the reports and deliverables, in whole or in part or make the approval subject to certain conditions
  - Reject giving justification, if appropriate start the procedure for termination
  - Suspend the time-limit requesting revision/completion
  - Suspend the payment



# Payment modalities II

- Pre-financing payment
  - Amount defined in the grant agreement
  - No request needed, EC pays when contract is signed
  - 5% of total Community funding paid as a contribution to the guarantee fund
- Interim payments
  - Corresponding to the costs accepted for the period
  - Payments until the 10% retention is reached
- Final payment
  - Including the reimbursement of the 5% contribution from the guarantee fund
  - Take into account the declaration of receipts at participant level



# Payment modalities Example

- Project duration 32 months – 3 periods, EU funding 3 million €
- **Pre-financing**
  - usually 160% of average for one period  
→ amount for pre-financing is 1.6 million €
  - 5% to guarantee fund: 150.000€
  - Pre-financing payment **1.45 million €**
- **1<sup>st</sup> Interim payment:** if 1 million € accepted → payment **1 million €**
- **2<sup>nd</sup> Interim payment:** 1 million € accepted → payment **100.000€** (retention 10%)
- **Final payment 300.000€** (proviso all conditions are met) + release from the guarantee fund **150.000€**



# Controls and audits

- Financial audits and controls (see Art. II.22)
  - At any time during the implementation of the project and up to five years after the end of the project by external auditors or by the Commission services including OLAF
  - The European Court of Auditors has the same rights as the Commission
- Technical audits and reviews (see Art. II.23)
  - At any time during the implementation of the project and up to five years after the end of the project. The Commission may be assisted by external scientific or technological experts



# Controls and audits

- Liquidated damages (see Art. II.24)
  - A beneficiary who overstated any amount and received an unjustified financial contribution from the Commission shall be liable to pay damages
    - Liquidated damages = unjustified Community financial contribution x (overstated amount/total Community financial contribution claimed)
- Financial penalties (see Art. II.25)



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