



## **WORKSHOP ON JOINT ACTIONS 2013**

# **FINANCIAL MANAGEMENT**

Klara KASNYIK

Financial Officer

Executive Agency for Health and Consumers

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# General Information



## FR Title VI, Chapter II – Principles of grant

- **Co-funding rule:** external co-financing from a source other than EC funds is required (own resources or financial contributions from third parties, project income)
- **Non-profit rule:** the grant may not have the purpose or effect of producing a profit for the beneficiary
- **Non-retroactivity rule:** only costs incurred after the starting date stipulated in the grant agreement can be co-funded
- **Non-cumulative rule:** only one grant can be awarded for a specific action carried out by a given beneficiary



## Eligible costs



- **Connected** with the subject of the GA and included in the Technical annex and in the budget description
- **Necessary** for the performance of the action
- **Reasonable and justified** “good housekeeping”
- **Generated** during the lifetime of the action
- **Actually incurred** by the beneficiaries, using applicable accounting principles
- **Identifiable and verifiable**, in particular being recorded in the accounting records of beneficiary



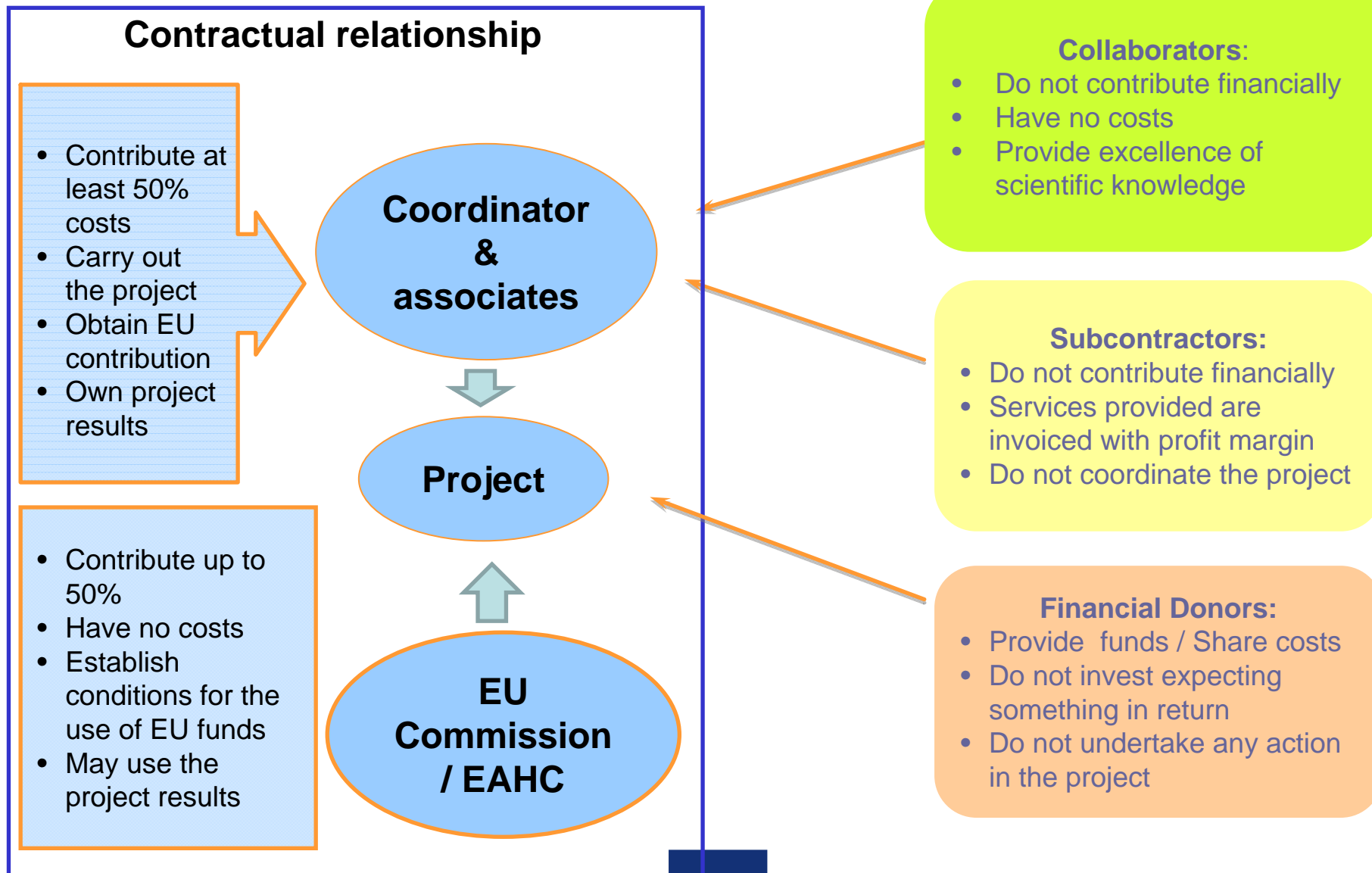
# Non-Eligible costs



- Return on capital
- Debt and debt services charges
- Provision for losses or potential future liabilities
- Interest owed, doubtful debts
- Exchange losses
- VAT (Unless the beneficiary can prove that is unable to recover it, public bodies cannot claim VAT as eligible cost)
- Cost declared by a beneficiary and covered by another action funded by a EC grant
- Contribution in kind



# Roles and Responsibilities





# Budget Structure



# Cost Categories



## Direct Costs

- 1. Staff**
- 2. Travel Costs and subsistence allowances**
- 3. Equipment**
- 4. Consumables and supplies linked to the project**
- 5. Subcontracting costs**
- 6. Other costs**

## Indirect Costs

- 7. Overheads – flat rate of 7% of total direct costs**

# Staff



- **Staff = employment contract** with one of the partners
  - *Cost claimed: salary + social security + statutory charges*
  - *Costs cannot be claimed: bonus, overheads allocated to staff cost*
- Public officials = an official of a public administration, directly remunerated by the budget of the State or a local authority, contract is based on applicable legislation on status of public officials.
- Non-public officials = other staff, employed by the beneficiary under a standard employment contract.
- Consultants, self-employed and experts **paid based on an invoice** should be declared under **Subcontracting**.



# Travel & Subsistence



- **Only for staff assigned to the action** and mentioned under Staff category.

Travel & subsistence for **other participants** shall be claimed

- *Subcontracting* for staff belonging to subcontractors (experts, consultants, trainers – amount to be included in the invoice)
- *Other costs* for collaborating partners, external invited experts, volunteers, trainees, speakers
- Most economic and direct way
- Subsistence = **accommodation + daily subsistence allowance**
  - *1.5 day meeting = 1 day at hotel + 1.5 or 2 x daily allowance*
- **Experience:** this budget line is generally **over-estimated!!**



# Equipment



- Specific equipment (software, PC, laptop, fee for licence, etc.) necessary to the action
- Equipment is **registered as an "asset"** in the books of the organisation, rental fees for equipment (e.g. for a conference) is under Other cost
- Only the **portion of the equipment's depreciation cost** corresponding to the project may be taken into account
  - *Date of purchase, amount of purchase (excluding VAT)*
  - *Planned duration to use the equipment*
  - *Depreciation rule (straight line, etc.)*
  - *% allocation of the equipment (is the equipment shared with other project?)*
- Common software (Microsoft Office, Excel, Word,) should be covered by "Overheads"



# Consumables



- Items should be **directly linked to the action** and identifiable in the books of the partner
- **Eligible items are (example):**
  - *Letter-head paper*
  - *Business cards*
  - *Promotional material for a conference / meeting,*
  - *Laboratory items*
  - *Cost of postage / delivery*
  - *Cost of Audio / Video Conference*
- In general: water, heating, insurance, office supplies costs should be claimed under "Overheads".



# Subcontracting



- Contracts awarded to cover the execution of a limited part of the joint action (40% of the total direct cost as a general rule).
  - *Service contract*
  - *Invoice (including travel & subsistence, if necessary)*
- Core elements and **technical / financial management** of the joint action **cannot be subcontracted**.
- Tasks subcontracted are set out in Technical Annex.
- Requirement of **competitive tenders** with relevant supporting documentation.



# Other Costs



- Other additional costs not falling within any of the five previous cost categories may be charged, if
  - *are directly related to the joint action*
  - *can be clearly identified and justified by the accounting rules and principles of the partners*
  - *satisfy the criteria of direct eligible costs.*
- **Examples**
  - Dissemination of information,
  - Specific evaluation of the project,
  - Audits, translations, reproduction
  - Travel & subsistence allowances for collaborating partners or external invited experts or trainees
  - Conference fees
  - Bank charges (cost of transfers to partners)
  - Cost of financial guarantee



# Income Funding sources



- **Co-funding from the EC budget:** Financial contribution granted by European Union.
- **Contribution pertaining to public officials** = considered as contribution from the Member States
- **Applicant's financial contribution:** Own financial contribution provided by main or each associated applicants.
- **Income generated by the project:** Revenues linked to or generated by the action itself (e.g. admission fee to a conference, sale of publications, etc.)
- **Other external resources:** Other grants allocated at international / European / national / regional / or local level and/or financial transfers received from donors/sponsor.



# Budget structure



To be prepared by each partner

## Total Eligible Cost

1. Staff (public/non-public)
2. Travel & Subsistence
3. Equipment
4. Consumables
5. Subcontracting
6. Other
7. Overheads  
(7% of sum of items 1-6)

=

## Funding Sources

1. Member States (cost of public officials)
2. Third party sponsors
3. Project income

? %

4. EC contribution

5. Own contribution

# Example



## EC contribution is 50%

	Expenditures	EUR	Income	EUR
E1	Staff	450 000	Cost of public officials	400 000
	<i>Public officials</i>	400 000	3rd party sponsorship	80 000
	<i>Non-public officials</i>	50 000	<i>(e.g. Ministry support to NGO)</i>	
E2	Travel & Subs	220 000	Project Income	30 000
E3	Equipment	30 000	<i>(e.g. Conference fee to participants)</i>	
E4	Consumables	20 000	<b>Total</b>	<b>510 000</b> > 50%
E5	Subcontracting	150 000		
E6	Other Cost	65 000	<b>EC Contribution</b>	<b>490 000</b>
	<b>Total Direct Eligible Cost</b>	<b>935 000</b>	Applicants own contribution	0
E7	Overheads	65 000		
	<i>(7% of Total Direct Eligible Cost)</i>			
	<b>Total Eligible Expenditures</b>	<b>1 000 000</b>	<b>Total Income</b>	<b>1 000 000</b>





# Budget Planning



- **Plan for each Work Package separately**
- **Identify:**
  - SMART objectives for the WP
  - Activities necessary to achieve objectives
  - Cost elements ( and cost category) of each activity
  - Partners participating in a given activity
- **For simplicity use EC rules (see guideline)**
  - EUR 500 per roundtrip flight + EC rules on subsistence
  - Depreciation rules for equipment (straight line, 36 months for software / computers and 60 months for other items)



# Example



## Exercise per WP and per Partner

Work package No 1	Staff	T & S	Equip.	Consum.	Subcontr.	Other
Project management						
Project coordinator	X					X
Steering committees		X		X		X
Project Website	X		X		X	
Financial coordination	X				X	X
Reporting	X		X			X



# Example



- **Website – questions to be considered for the budget**
  - Person with IT background?
  - Special software?
  - Engage third party to deliver part of website?
  - Licences to be paid?
  - Partners involved?
- **Steering Committee – questions to be considered for the budget**
  - Meetings per year – travel & subsistence for participants (collaborating partners?)
  - Cost related to the organisation (room rent, equipment rent, catering)?
  - Documents of the meeting (reports, etc.)?
  - Experts attending?





# Tips and observations of past experiences

# Tips



- **Double-limit to the budget** – ~~the~~ lower is paid
  - *Absolute amount of the grant based on the Award Decision*
  - *Co-financing percentage of total eligible costs*
- **Own rules** have precedence in all budget categories
  - *T & S, Equipment, Subcontracting*
  - *Tendering procedure*
- Number of associated partners
  - *All partners with specific knowledge crucial to the action*
  - *Too many – difficult to manage*
- Avoid obvious **over / under estimation**
  - *Over-estimation may lead to decrease of final EC contribution*
  - *Under-estimation: objectives are not achieved*
  - *T & S is over, Staff is under estimated*





## Tips cont.



- Confusion of Staff & Subcontracting
  - *Consult HR department*
- Partnership / Consortium Agreement
  - *Signed by each partner*
  - *Internal project management*
  - *Roles and responsibilities of partners*
- “**Project management**” minded staff at main partner and WP leaders, **Financial manager** at main partner
- Read the grant agreement
- Send documents in time! Delay of 1 partner delays the whole action





**Thank you for your attention!**

**Questions?**



## Useful links



### Executive Agency EAHC Website

<http://ec.europa.eu/eahc/index.html>



### Public Health Portal

<http://ec.europa.eu/health-eu/>



### European Commission DG SANCO

[http://ec.europa.eu/health/index\\_en.htm](http://ec.europa.eu/health/index_en.htm)

