

# ***Framework Programme 7 payments***



European Commission  
Information Society and Media

# Overview

- FP7 Payments - essentials
- Business workflow – new ways of cooperation
- Periodic reporting including Form C
  - Use of NEF
- Costs reporting @participant level
  - Form C
  - Editing in NEF and controls
  - Certificate on financial statement
- Submission of the periodic report by the coordinator
  - Requirements
  - Self-declaration
  - Use of NEF
- Payment by the Commission
- Controls and audits
- Concluding remarks



# Payments in FP7- Essentials

- Same principles as in FP6
  - Cost reimbursement
  - Eligible and non-eligible costs
  - No-profit and co-financing
- Some differences compared to FP6
  - No cost reporting model (FC, FCF, AC) – though different ways of claiming indirect costs (part of 'FP7 account')
  - Reimbursement rate is depended on the type of organisation, of action and/or activity
  - Third party
  - Payment modality – simplified reporting requirements
  - Cost adjustments to previous periods submmitted in individual Form C



# Payments in FP7- Cost reimbursement

- Article II.4 sets the reporting obligations
  - Reporting periods are defined in Article 4 of the core grant agreement
- Article II.5 sets the approval of reports and deliverables, time-limit for payments
  - (the Commission shall pay 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 co-financing

- The Community contribution cannot give rise to any profit for any beneficiary (see Art. II.18.3)



# Payments in FP7- Indirect cost models (1)

- For all beneficiaries:
  - either actual overhead or simplified method
  - flat rate of 20% of direct costs minus subcontracting and 3rd parties not used on the premises of the beneficiary
- Non profit Public Bodies, Secondary and Higher Education establishments, Research Organisations and SMEs unable to identify real indirect costs per project, option of flat rate of 60% for **funding schemes with RTD**
- For Coordination and Support Actions (CSA): reimbursement of indirect eligible costs limited to 7% of direct costs (not a flat rate)



# Payments in FP7- Indirect cost models (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 new approach?**

facilitate the transition from the Additional Cost model (abolished) towards the declaration of actual indirect costs



# Payments in FP7- Indirect cost models (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”



# Payments in FP7- 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% 75% (***)		100%	100%
Collaborative project	50% 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.

(\*\*\*\*)



# Payments in FP7- 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
  - In FP7 there is no defined ceiling



# Third parties (1)

- **Third parties carrying part of the work**
  - ❑ Subcontracts: tasks have to be indicated in Annex I
    - Awarded according to best value for money
    - External support services may be used for assistance in minor tasks (not to be indicated in Annex I)
  - ❑ Specific cases: EEIG, JRU, affiliates carrying out part of the work (special clause 10)
- **Third parties making available resources**
  - ❑ “Third parties”: to be indicated in Annex I
  - ❑ Costs may be claimed by the beneficiary
  - ❑ Resources “free of charge” may be considered as receipts



## Third parties (2) Special case

- 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.
- 3<sup>rd</sup> parties under SC10 are supported by NEF .
  - Data to be entered by the beneficiary they are linked to
- 3<sup>rd</sup> parties must submit cost according to their own “FP7 account data” as regarding reimbursement rates and model for indirect costs.
  - 3<sup>rd</sup> parties submitting costs must be registered and validated in URF

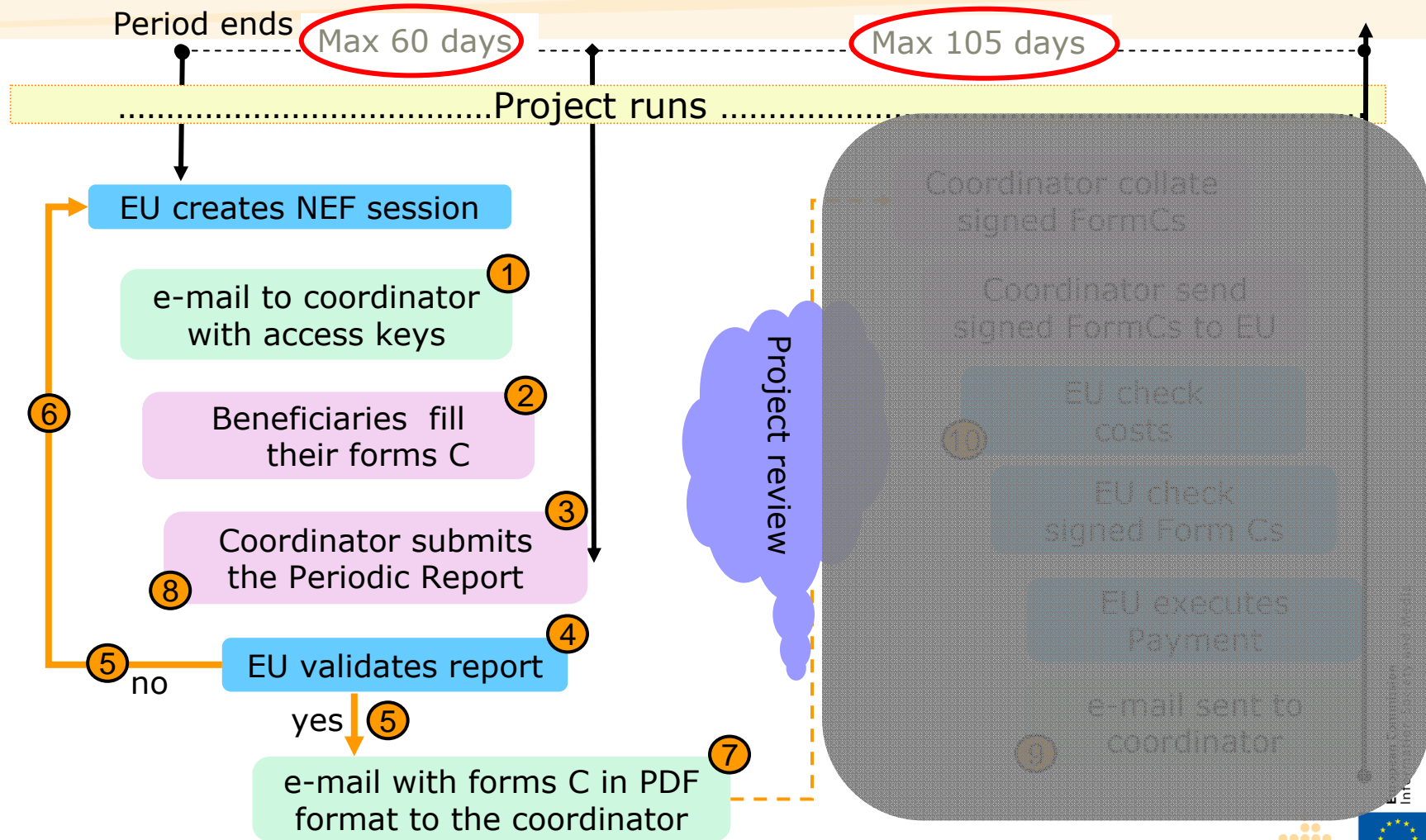


# Reporting requirements

- During the project
  - Periodic report (within 60 days of the end of each reporting period defined in Article 4) including the last reporting period
  - 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 SC10
  - Adjustments to previous periods



# Form C- Costs

- Costs
  - Direct costs
    - Personnel. Persons
      - Must be directly hired
      - Work on the sole technical supervision and responsibility of the beneficiary
      - Be remunerated in accordance with the normal practices of the beneficiary
    - Subcontracting
      - Subcontracts may only cover the execution of a limited part of the work
      - Recourse must be duly justified in Annex I
      - Recourse to subcontracts may not affect rights and obligations of the beneficiaries regarding background and foreground
      - Annex I must indicate the tasks to be subcontracted and an estimation of the costs
    - Other direct costs (travel, durable equipment, consumables, ...)
      - Indirect costs – depending on Indirect Cost Model (ICM)
  - Maximum Community contribution
  - Requested Community contribution



# Form C – Personnel

- Only the cost of the actual hours worked by the persons directly carrying out work under the project. Hence need for a reliable time recording for reconciliation of
  - Total hours where personnel works on several projects during the same period AND
  - Activity because of different reimbursement rates
- Beneficiaries may opt to declare average personnel costs



# 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 CFS
- Special case of CSA
  - ICM
  - Reimbursement rate



# Form C – 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!)



# Form C – Interest

- Pre-financing remains the property of the Commission until the final payment
- The Commission shall recover from the coordinator for each reporting the amount of interest generated when such pre-financing exceeds the amount fixed in the Financial Regulation and its Implementing Rules
  - Currently the Implementing Rules the amount has been fixed at when the amount of the pre-financing exceeds 50.000€
  - The provision applies only to the share of pre-financing not distributed or distributed late by the coordinator to the other beneficiaries
  - The share of pre-financing the coordinator use to implement the project is treated in the same way as the pre-financing distributed to the other beneficiaries



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

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

- Requested EC contribution (cumulative) < 375.000€:
  - > No CFS to be submitted (not even at the end of the project)
- Requested EC contribution (cumulative) ≥ 375.000€:
  - > Certificate on the Financial Statements has to be submitted:
    - CFS every time ≥ 375.000 € (except for a project with a duration of 2 years or less – in this case only one CFS needs to be submitted at final payment stage)
    - If Certificate on the Methodology (CoM) accepted by the Commission : no interim CFS but only at the end of the project
    - For beneficiaries with costs incurred but without EC contribution no CFS is required



# Submission of periodic report by the coordinator

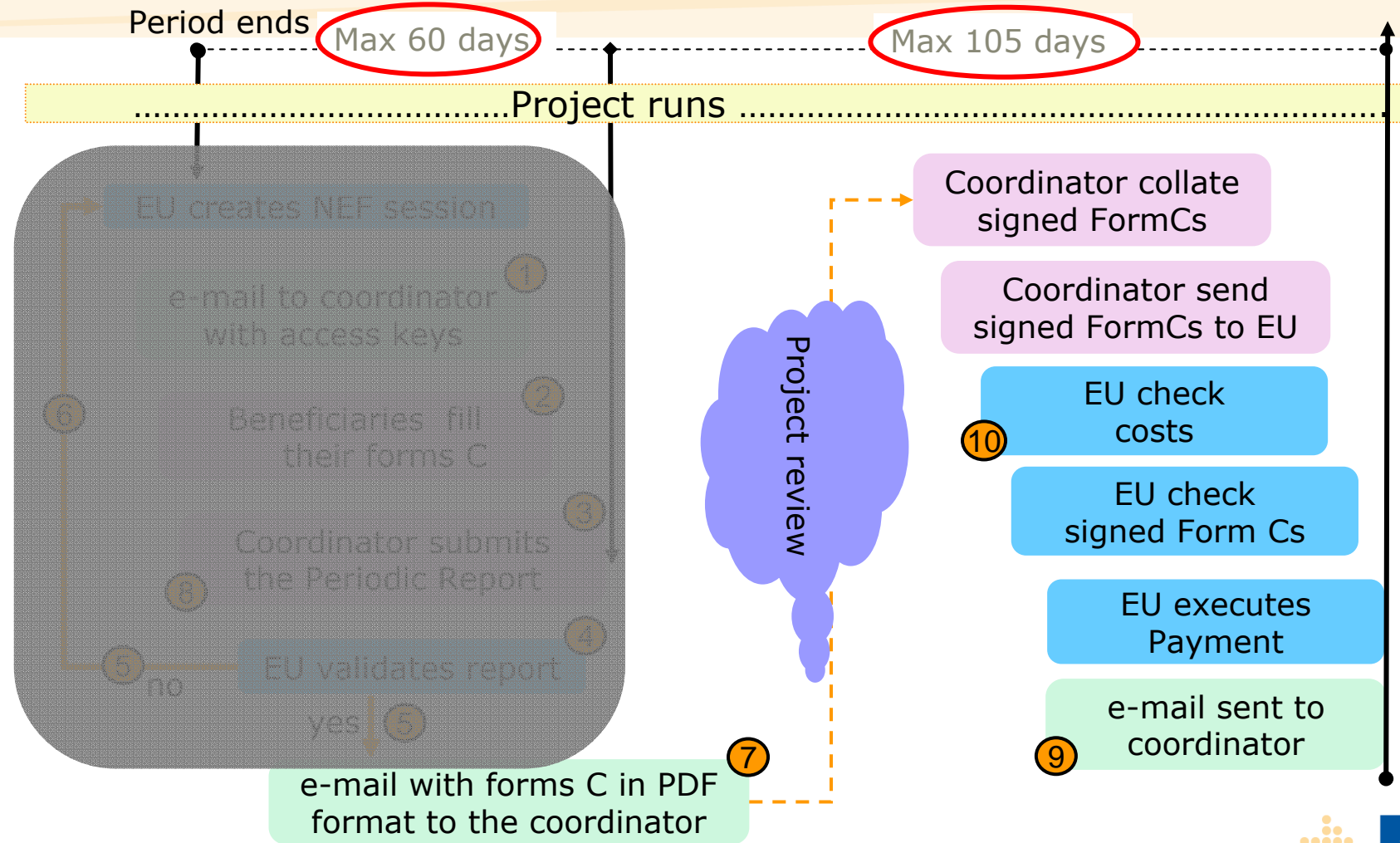
- Reports and other deliverables to be submitted to the Commission be electronic means
- Originals of signed financial statement, certificates and self declaration of the coordinator shall be sent to the Commission by post



# 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 3. Work progress and achievements during the period 4. Deliverables and milestones tables	<ul style="list-style-type: none"> <li>Project objectives ...</li> </ul>
5. Project management 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 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

- 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

- Pre-financing payment
  - 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 M€
- Pre-financing
  - Average EU funding/period =  $3\text{M€}/3 = 1\text{M€}$ , usually 160% = 1.6 M€
- 1<sup>st</sup> Interim payment – suppose 1M€ accepted – payment 1M€
- 2<sup>nd</sup> Interim payment – suppose 1M€ accepted – payment 0.1M€ (retention 10%!)
- Final payment 0.3M€ (proviso all conditions are met)



# 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 that is found to have overstated any amount and which has therefore 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)



## Concluding remarks

- IT systems are ready- invitations to submit periodic reports will be send from January 2009 onwards

