



European
Commission

EASME

Executive Agency for Small and Medium-sized Enterprises

GEO-CRADLE **Financial and legal matters**



ENVIRONMENT

Executive
Agency
for SMEs

Project timeline and cashflows



Start of project
01/02/2016



Pre-financing: 50% of maximum grant amount

End of **1st** reporting period
30/04/2017
Submission of reports within max. 60 days

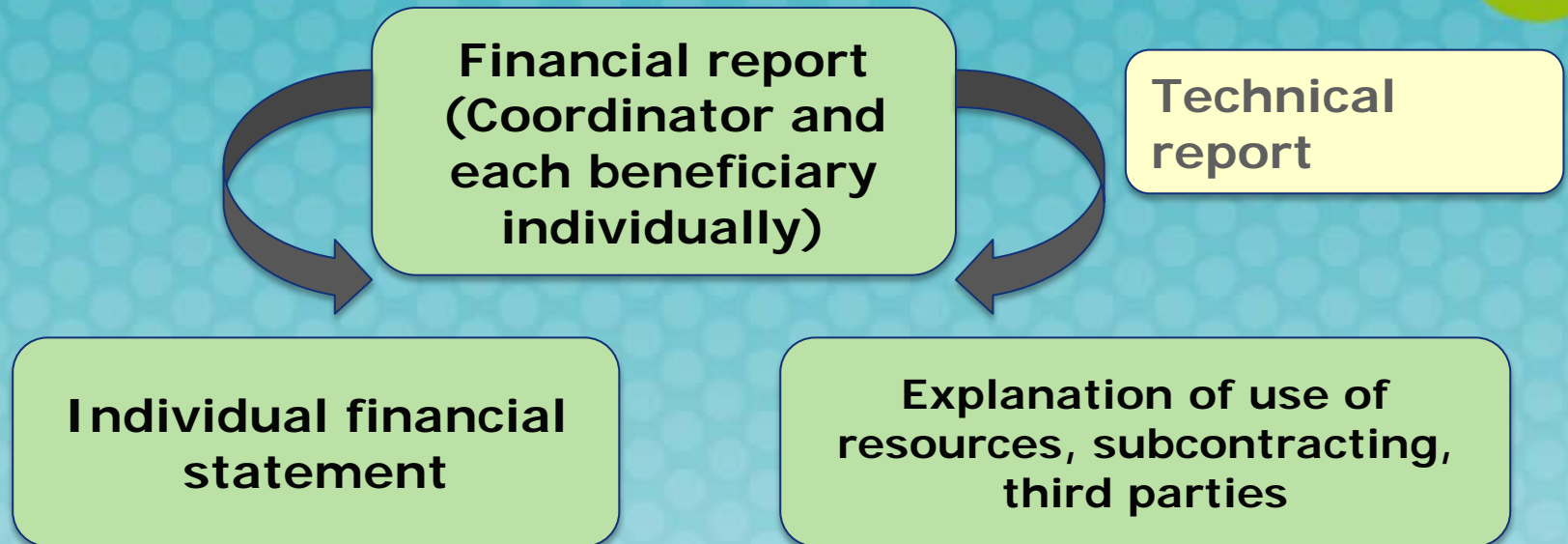


Interim payment capped to **90%** of maximum grant amount. Paid within max. **90 days** of receipt of interim report

End of **2nd** reporting period
31/07/2018
Submission of reports within max. 60 days

Payment of **balance**. Paid within max. **90** days of receipt of final report

Periodic reporting - interim



Summary financial statement will be created automatically by the system



Periodic reporting - final

In addition to periodic report for last reporting period, a final report must be submitted within 60 days following the end of the last reporting period. **Final report covers the entire project duration.**



Reporting for linked third party (LTP)

No access to Participant Portal (PP) reporting tool

Financial statements filled out by beneficiary on PP based on data transmitted by LTP

Printed copy of financial statements sent to LTP for agreement (signature)

LTP returns statements to beneficiary by registered post

Financial statements submitted by beneficiary

Forms of cost



Actual costs

- Costs actually incurred, identifiable and verifiable, recorded in the accounts, etc.
 - **non-deductible VAT paid is also eligible**

Unit costs

- A fixed amount per unit determined by the Commission. **Example: SME owners' unit cost**
- For average personnel cost (based on the usual accounting practices)

Lump sum

- A global amount to cover one or several cost categories

Flat rate

- A percentage to be calculated on the eligible costs





Budget categories and Forms of costs

FORMS OF COSTS	BUDGET CATEGORIES					
	DIRECT COSTS				INDIRECT COSTS	SPECIFIC CATEGORIES OF COSTS
	Personnel	Subcontracting	Financial support to 3rd parties	Other		
Actual costs	✓	✓	✓	✓	✗	✗
Unit costs	Yes for - Average personnel costs - SME owners & natural persons without a salary	✗	✗	✗	✗	Yes if foreseen by Comm. Decision
Flat-rate costs	✗	✗	✗	✗	✓	✗
Lump sum costs	✗	✗	✗	✗	✗	Yes if foreseen by Comm. Decision

Budget re-allocation or Amendment



Budget transfers and re-allocation

Amendment needed?

From one beneficiary to another

NO

From one budget category to another

NO

Re-allocation of Annex 1 tasks

YES

Transfers between forms of costs (actual costs, unit costs, etc.)

YES if no budget was foreseen for the "form" receiving the transfer

New subcontracts

YES (strongly advised)



Estimated eligible* costs (per budget category)							
A. Direct personnel costs				B. Direct costs of subcontracting		[C. Direct costs of fin. support]	D. Other direct costs
A.1 Personnel A.2 Natural persons under direct contract A.3 Seconded persons [A.6 Personnel for providing access to research infrastructure]		A.4 SME owners without salary A.5 Beneficiaries that are natural persons without salary					D.1 Travel D.2 Equipment D.3 Other goods and services D.4 Costs of large research infrastructure
Form of costs****	Actual	Unit ①	Unit ②		Actual	Actual	Actual
			XX EUR/hour				
	(a)	Total (b)	No hours	Total (c)	(d)	(e)	(f)
Beneficiary 1	500,000	0	100	3,213	150,000	0	325,000
Beneficiary 2	0	300,000	0	0	0	0	125,000

PERSONNEL COSTS: overview

HOW TO CALCULATE PERSONNEL COSTS

UNIT COSTS

ACTUAL PERSONNEL COSTS

Calculation
method
defined in the
model GA

Calculated by the
beneficiary in
accordance to its
usual accounting
practices

*(Average personnel
costs)*

Fixed by the
Commission

for the owners of
SME beneficiaries
without a salary
and natural persons
without a salary

TOTAL REMUNERATION

Standard remuneration

**Basic
Salary**



"Mandatory extras"

- Fixed by law or by contract to remunerate the main activity of the employee
- Payment not subject to discretion by the employer
- Not linked to a specific project

Examples: 13th month, hazardous work allowance, etc.

Additional remuneration

Other bonuses

- **Only eligible for non-profit legal entities**
- Subject to specific eligibility criteria
- Maybe triggered by the participation in a specific project





Actual personnel costs: calculation I



$$\text{Actual Personnel Cost} = \text{Hours worked for the project} \times \text{Hourly rate}$$

where

$$\text{Hourly rate} = \frac{\text{Annual personnel costs}}{\text{Annual productive hours}}$$

- The hourly rate is to be calculated **per financial year**
- If the financial year is not closed at the time of reporting, the beneficiary must use the last closed financial year available.

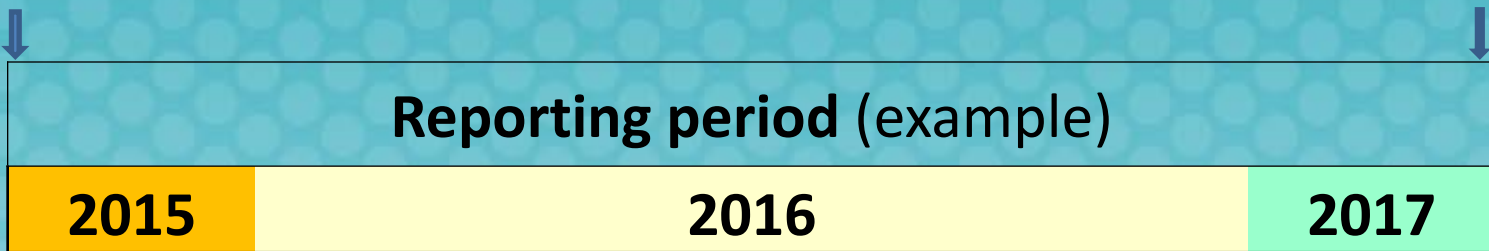


Actual personnel costs: Calculation – II

Use of the **last closed financial year**

01/10/2015

31/03/2017



Hourly rates of 2016 will also be used for these months

ADVANTAGES FOR THE BENEFICIARIES

- ➡ NO ADJUSTMENTS TO BE DECLARED IN THE NEXT PERIOD
- ➡ LEGAL CERTAINTY: NO DOUBTS ABOUT WHAT PERIOD AND WHAT DATA MUST BE USED FOR THE CALCULATION
- ➡ REMOVES ERRORS DUE TO INCORRECT CALCULATIONS FOR FRACTIONS OF A YEAR

Actual personnel costs: annual productive hours

1720 hours

Individual annual productive hours

- Formula: annual workable hours + overtime - absences

Standard annual productive hours

- According to the beneficiary's usual accounting practices; Minimum threshold: annual productive hours ≥ 90 % of the standard workable hours

Example for calculation of individual annual productive hours:

Prof Smith is a full-time researcher (working 8 hrs/day, from Mon-Fri) at INNOVA Research Centre. His contract includes 22 working days of annual leave, plus 8 days of public holidays. In the financial year covered by the reporting period, Prof Smith worked 29 hrs of overtime and was on sick leave for 5 days.

The individual annual workable hours are:

365 days — 104 days (Saturdays and Sundays) — 22 days (annual leave) — 8 days (public holidays) = 231 days x 8 hours per day = **1 848 hours**

Individual annual productive hours for Prof Smith:

Annual workable hours = 1 848

+ overtime (hours) = 29

- annual sick leave (5 days x 8 hours) = 40

Individual annual productive hours for Prof Smith= 1 837

INNOVA Research Centre may use 1 837 as individual annual productive hours for Prof Smith.



Example for calculation of standard annual productive hours:

According to employment contract Prof Smith—researcher at Bioline works 8hours/day, from Mon-Fri. National legislation provides for 22 working days annual leave+8 days of public holidays. The collective labour agreement adds 3 days of annual leave.

Standard annual workable hours for Bioline :

365 days — 104 days (Saturdays and Sundays) — 22 days (annual leave) — 8 days (public holidays) — 3 days (collective agreement) = 228 days x 8 hours per day = 1824 hours

Standard annual productive hours for Bioline :

Bioline uses its usual cost accounting to calculate hourly rates for EU actions.

Annual workable days = **228 days minus**

- average annual sick leave (days) = **3**

- days of general training (days) = **4**

- other unproductive activities (days) = **9**

productive days = 212 days x 8 working hours per day = standard annual productive hours = **1 696**

This number must be compared with 90 % of standard annual workable hours (1 824).

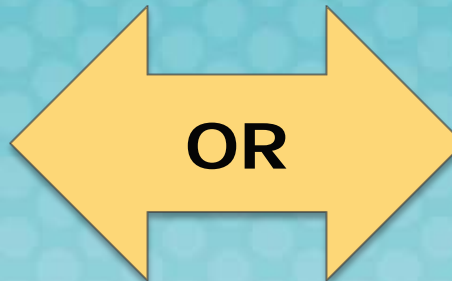
90 % of 1824 = 1 642

1 696 hours (usual cost accounting practice) > 1 642 hours (90 % annual workable hours). Bioline may apply its number of standard annual productive hours (i.e. 1 696)



Time recording

Time sheets



**Declaration
on exclusive
work for the
action**

In most cases you will need to record hours spent on the project. Please do it regularly, and have your timesheets countersigned by supervisor!



Subcontracting

For the **purpose of Grant Agreement**, 'subcontract' means the purchase of goods, works or services that are identified in Annex 1 as action task.

Only **limited part of action** can be subcontracted.

Exchange rates



❖ Beneficiary's accounts in €

conversion of costs into EUR according to their usual accounting practice

❖ Beneficiary's accounts in other currency

average of the daily exchange rates published in the Official Journal of the EU calculated over the reporting period