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LIVE WEBINAR

EXPERT INSIGHTS

Financial rules of Horizon Europe in comparison
to H2020

APRIL 13, 2021 14:00 - 15:00 (+30 MIN Q&A)

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Kimberly ALBEÑO

Client Relationship Specialist at EMDESK

✉ albeno@emdesk.com

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Researchers are crucial in today's world and I want to do my part to help them.



Gabriella LOVÁSZ

Managing Director of @Europamedia

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- Follow on Twitter [@gabocsek](#)
- Email: gabriella.lovasz@europamedia.org



In this webinar Gabriella Lovász, expert at Europa Media, will explain the financial rules of Horizon Europe in comparison to H2020.

Today's Topics:

- Mutual Insurance Mechanism
- Calculating daily rate to report personnel costs
- Changes with project based remuneration reporting
- Changes in internal invoicing

This webinar is presented by EMDESK in cooperation with Europa Media.

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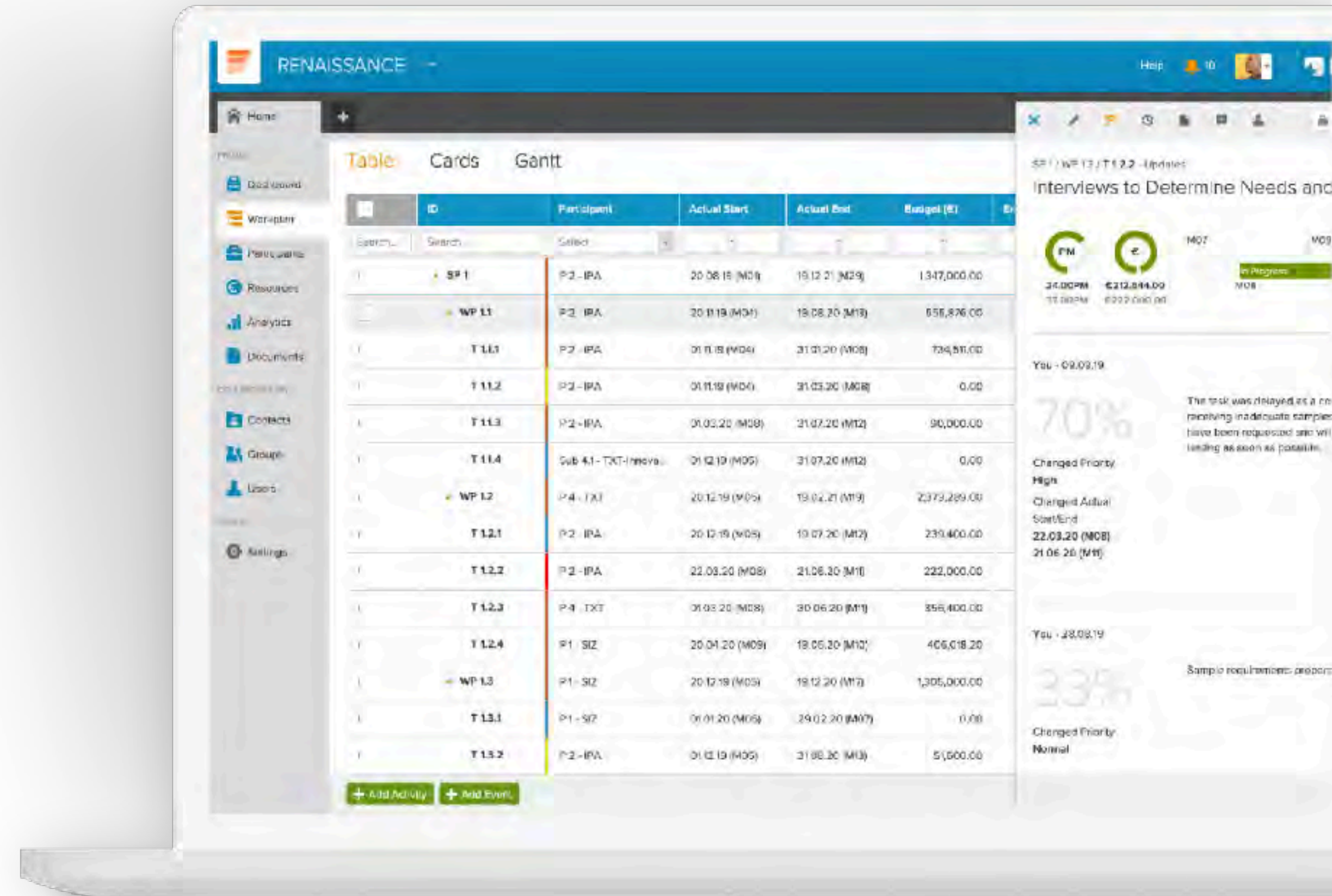
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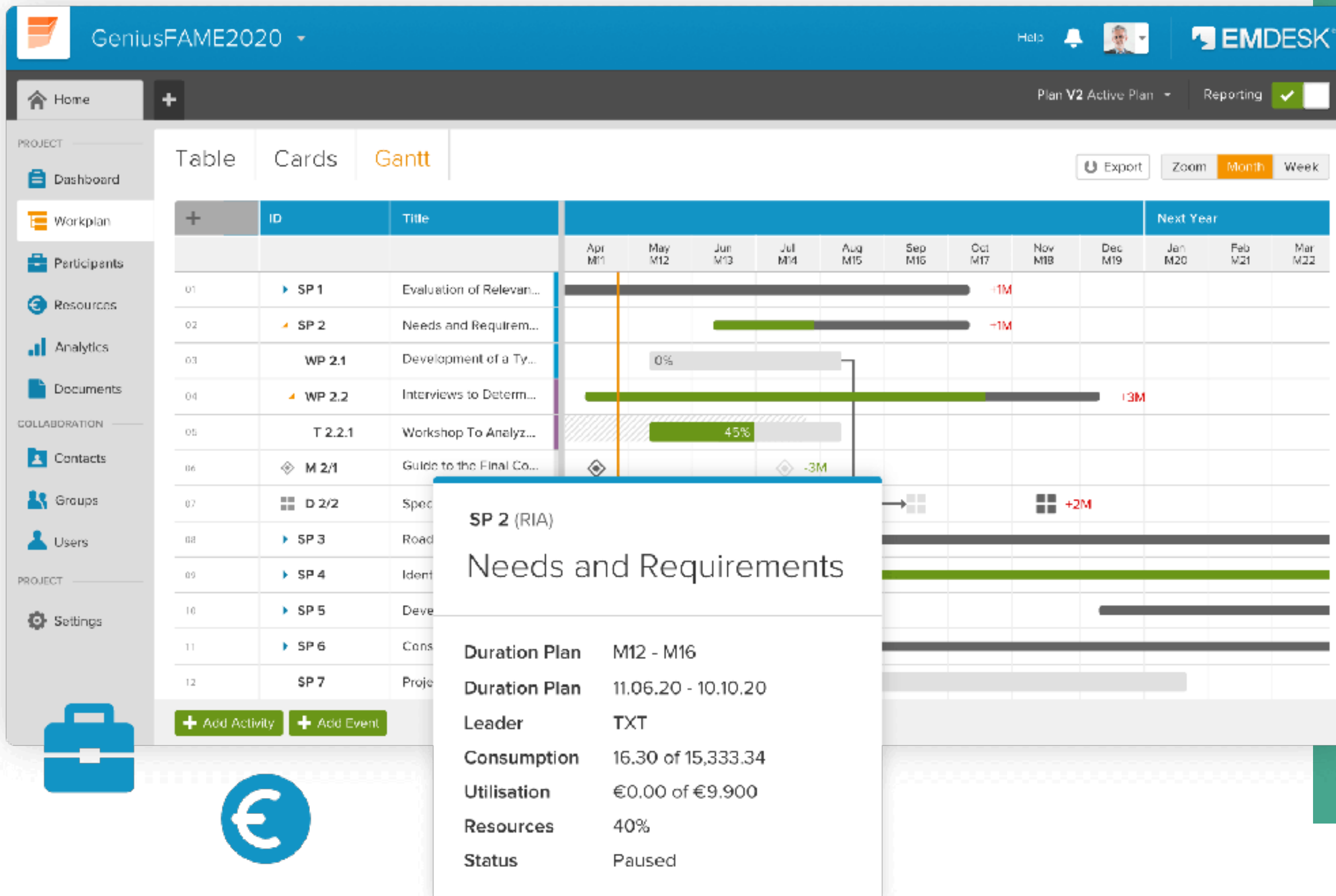
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EU PROJECT
COMPLIANCE (H2020)

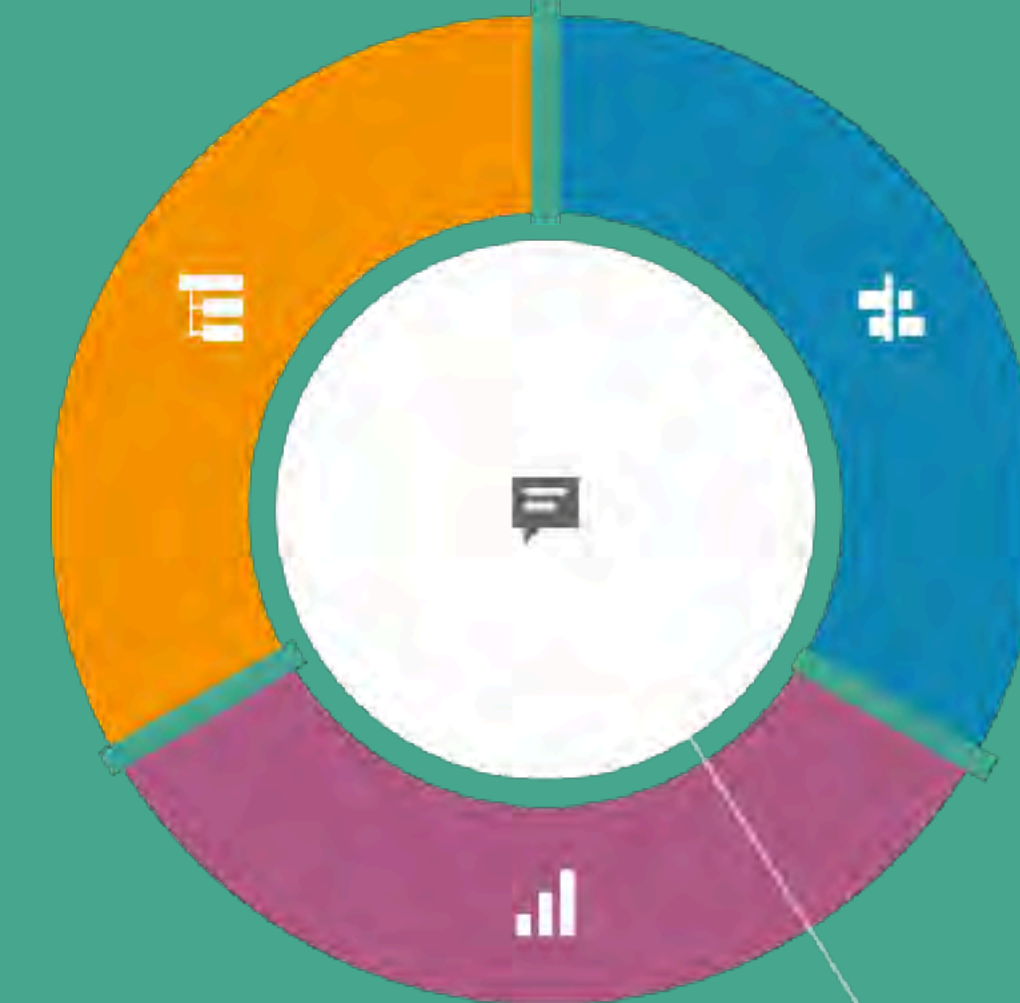


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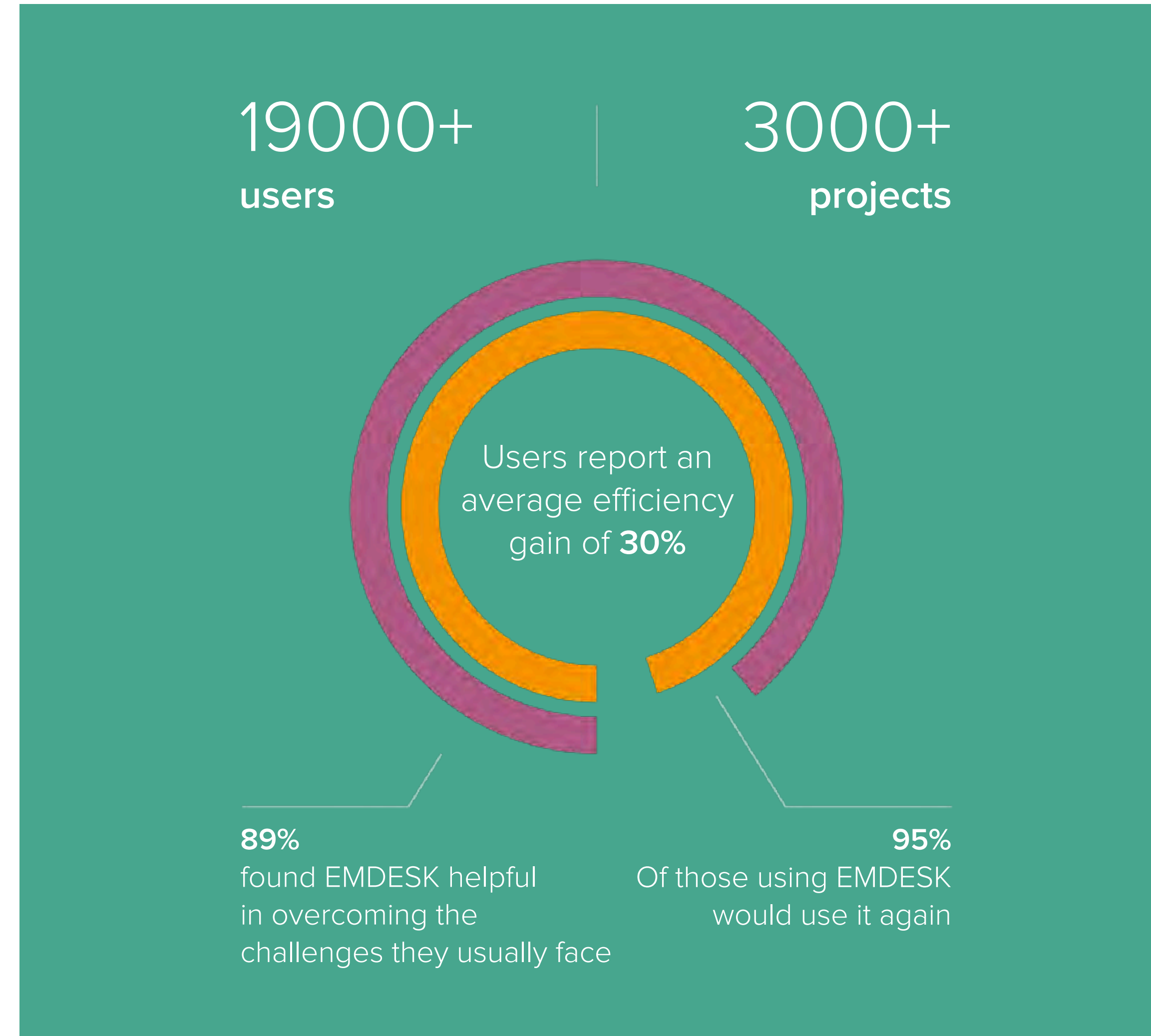
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Dr. Katarina Boustedt
Head of Administration of the EU FET Graphene Flagship at Chalmers University of Technology



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present...





**Europa Media/EMDESK
webinar**

Financial rules of Horizon Europe in comparison to H2020

Speaker:

Gabriella Lovász

Europa Media

14:00 – 15:30 CET // 13 April 2021

Welcome!

- 14:00 – 15:00 | Presentation
- 15:00 – 15:30 | Q&A session



SPEAKER

Gabriella Lovasz

- Contact me on [LinkedIn](#)
- On [Twitter](#) as @gabocsek
- Write to gabriella.lovasz@europamedia.org



Accounting or Reporting

- *„all costs must be 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” (HE MGA; Art.6.1.a)*

Compare the following:

Do I have to do anything differently compared to normal businesses?

VS

Can I do anything differently compared to normal businesses?

Budgeting vs Reporting

(Part 1)

- **Budget is an estimation** (see HE MGA Art.5.4): you need to try to foresee all costs.
- **Financial Report** can consist of only actual (unit-based) costs occurred when implementing the project.
- Budgeting and Reporting **will never be the same**: it would actually be quite suspicious...
- However, they should never differ too much. But **how much is too much?**



Budgeting vs. Reporting

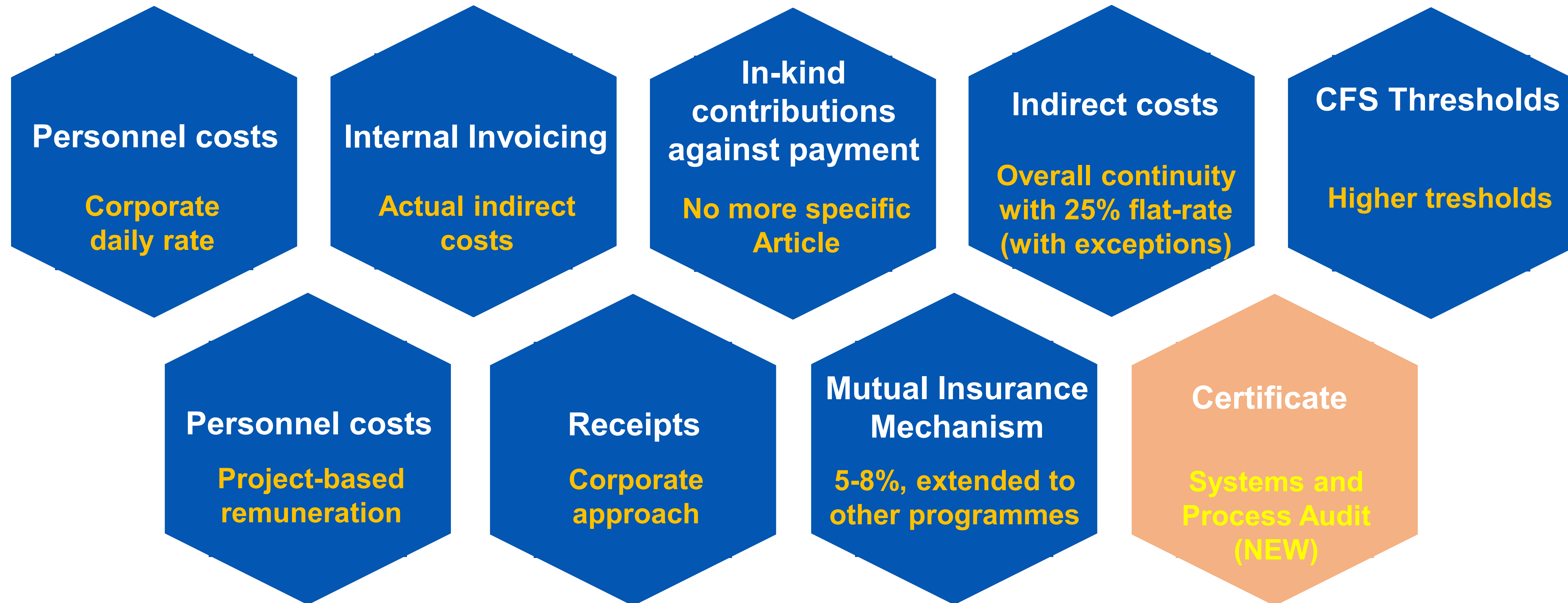
(Part 2)

- Does the budget matter?
- Can I exceed the maximum EC contribution referred in the call text?
- What if I overbudgeted my expenses?
- What if I underbudgeted my costs?
- How to formulate a good budget anyway?
- Where should I know all these rules?



A summary of financial changes

Horizon Europe





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Terminology



Changes in terminology

- Affiliated entity = Linked third party in H2020, so entities *'that have a link with the beneficiary, in particular a legal or capital link, which is neither limited to the action nor established for the sole purpose of its implementation'*.
- Associated Partner = international partner in H2020
 - AP does work but cannot declare costs
 - AP can be linked:
 - either to one or more beneficiaries
 - or with the whole consortium



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Model Grant Agreement - Budget



HE MGA Annex 2

(general HE MGA cost categories)



A. 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
- **[D.3 Transnational access to research infrastructure unit costs]**
- **[D.4 Virtual access to research infrastructure unit costs]**
- **[D.5 PCP/PPI procurement cost]**
- **[D.6 Euratom Cofund staff mobility costs]**
- **[D.7 ERC additional funding]**
- **[D.8 ERC additional funding (subcontracting, FSTP and internally invoiced goods and services)]**



E. INDIRECT COSTS



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Personnel cost calculation and reporting



Personnel costs in Horizon Europe

- Provisions on personnel costs will be further simplified. The concept of **productive hours and the various prescriptive methods to determine and report eligible personnel costs will be discontinued**. Instead, a corporate and simpler formula is to be applied allowing for reducing errors and administrative burden for beneficiaries.

„Daily rate - one size fits all”

- **daily rate approach** for personnel cost is a fixed provision across all programmes



Daily rate calculation

Eligible salary costs are limited to:

- include net payments during parental leave, social security contributions, taxes and other costs linked to the remuneration, if they arise from national law or the employment contract (or equivalent appointing act).

How to calculate the daily rate?

$$\text{Daily Rate} = \frac{\text{annual personnel costs for the person}}{215}$$

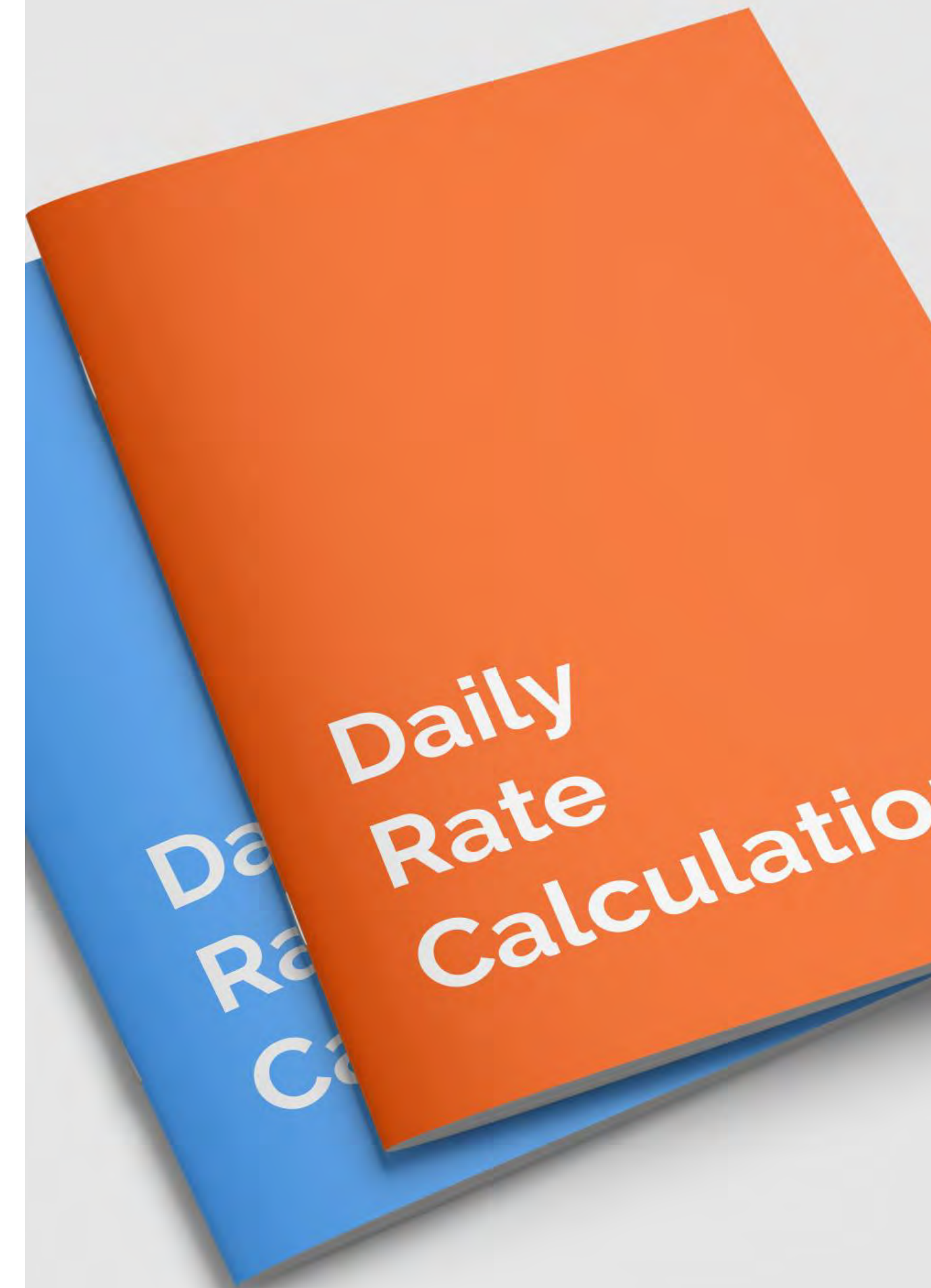
How to calculate eligible personnel costs?

Daily rate



Days worked

{daily rate for the person multiplied by number of actual days worked on the action (rounded up or down to the nearest half-day)}



Daily rate calculation

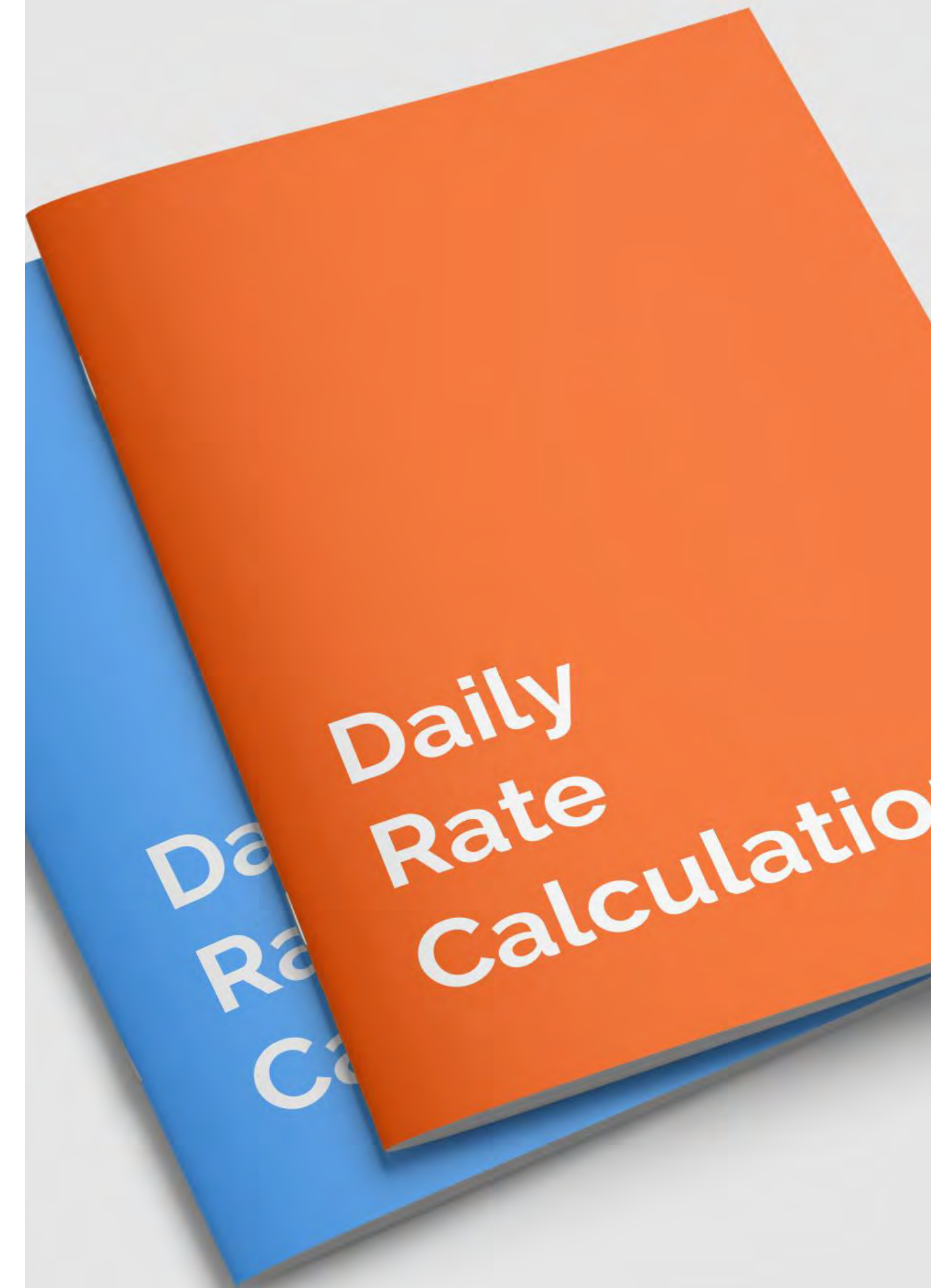
- **per calendar year** (from January to December)
- except for the months running from the end of the last calendar year until the end of the reporting period. For those months, you must calculate **a separate partial daily rate as follows:**
 - *{actual **personnel costs** of the person incurred over those months divided by*
 - *{215 / 12 (months) x number of months from the January until the end of the reporting period}}* – so if the period finishes in April then
 - *Jan-April personnel costs in total divided by 215 / 12 X 4*

Days worked

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 (template under development).



Time recording system in hours

Day equivalent – 3 conversion rules at hand

1. A conversion based on the average number of hours that the person must work per working day according to her/his contract.

EXAMPLE: If the contract says that the person must work 37,5 hours per week distributed in 5 working days, a day-equivalent for the person in 7,5 hours (37,5/5). In the same example if the person works 50%, part time, the day-equivalent would be 3,75 hours (18,75/5)

2. A conversion based on the usual standard annual productive hours of the Beneficiary, if it is at least 90% of the annual workable hours of the beneficiary

EXAMPLE: Standard annual productive hours of the beneficiary=1558,75. Standard annual workable hours of the beneficiary=1700.

1700x90%= 1530<1558,75 1558,75/215=7,25 hours = 1 day-equivalent

3. A conversation based on a fixed number of hours (e.g. for beneficiaries with no reference in their contracts nor standard annual productive hours): 1 day-equivalent= 8 hours



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A few more
changes



Simplification?

H2020 vs HEU

- Internally invoiced goods and services
 - no 25% flat rate, but instead possibility to accept actual indirect costs allocated via beneficiary's usual key drivers in the unit cost calculation
 - *Examples:*
 - *self-produced consumables (e.g. electronic wafers, chemicals)*
 - *specialised premises for hosting the research specimens used for the action (e.g. animal house, greenhouse, aquarium)*
 - *standardised testing or research processes (e.g. genomic test, mass spectrometry analysis)*
 - *use of specific research devices or research facilities (e.g. clean room, wind tunnel, supercomputer facilities, electronic microscope)*
- Project-based remuneration



Project-based remuneration

Replacing additional remuneration

WHAT IS IT?

- Usual remuneration practices of a legal entity under which a **personnel receives supplementary payments for work in projects**

Example:

an employee who gets a bonus or a new contract with a higher salary level for working in a project.

HOW MUCH CAN BE DECLARED?

- Actual remuneration costs paid by the legal entity for the time worked by the personnel in the action ('action daily rate') **up to** the remuneration that the person **would be paid for work in R&I projects funded by national schemes** ('national projects daily rate')

* Usually based on:

- either regulatory requirements (such as national law or collective labour agreements)*
- or your written internal remuneration rules*

METHODOLOGY?

- Compare**

Action daily rate

National Projects daily rate^{*}

- Take **the lower of the two.**

(Third party) In-kind contribution

Free of charge and against payment

In-kind contributions against payment

- No more special Article (corporate approach):
- But they can still be declared as:
 - **Seconded persons** under **Personnel costs provisions**
 - **Other types** as purchase of goods, works or services
- Indirect costs calculated on top via the 25% flat-rate

In-kind contributions free of charge

- **Specific provisions (Art 6(1) & Art 9(2)) HE MGA** (stemming from Horizon Europe specific legal base)
- They must be declared under the relevant cost category (i.e. as if they were costs incurred by the beneficiary).
- Only **direct costs** must be reported
- Indirect costs calculated on top via the 25% flat-rate (with exceptions, like for internal invoicing)

Receipts

Corporate approach with HE derogation

Financial Regulation

Article 192(2) FR

[...] **receipts are limited to the Union grant and the revenue generated** by that action or work programme.

Article 192(3)(c) FR

→ **non-profit** organisations are **NOT** concerned by receipts.

HE derogation

- Income generated by the exploitation of the results shall **NOT** be considered as receipts of the action (Art 36(2) HE RfP → continuity with H2020)

Mutual Insurance Mechanism

Replacing the Guarantee Fund in Horizon Europe

5% Contribution to the Mechanism:
but it can be more, or less.

- Actions require a **5% contribution** by the Beneficiaries.
- **Periodic evaluation** may change it and bring it up to 8% or reduce it under 5%.
- The Mechanism may be extended to **beneficiaries** of any other directly managed **Union programme**.
- It can be offset from the **initial pre-financing** and be paid to the Mechanism on behalf of the beneficiaries.





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System and Process Audits SPA



System and Process Audit

What is a SPA?

A risk assessment & an audit opinion

in **2** steps:

- Test of the systems/ Tests of controls
- Substantive testings/
Tests of transactions

HE Rfp Article 48

assessing **3** types of risks:

- Inherent Risk at the level of the entity
- Control Risk at the entity level
- Budget Category Specific Control Risk
and their project based accounting

providing **1** Output:

- One single report in two parts
- Combined review result > flag as Low, Medium or High

System and Process Audit

How

Who can apply?

Any beneficiary that:

- uses unit, flat rate or lump sum costs or contributions according to documented (i.e. formally approved and in writing) usual costs accounting practices (if any)

OR

- has formalised documentation on the systems and processes for calculating their costs and contributions (i.e. formally approved and in writing),
- has participated in at least 150 actions under H2020 or Euratom and,
- participates in at least 3 ongoing actions under HE or Euratom.

How?

Step 1 — The beneficiary submits the application in the system which will be assessed by the EC auditors

Step 2 — If application accepted, the EC auditors (directly or indirectly) will carry out the SPA

Step 3 — The audit result will take the form of a risk assessment classification

What benefits for beneficiaries classified as 'low-risk'?

- less (or less in-depth) ex-post audits AND,
- a higher threshold for submitting CFS (i.e. 725.000 EUR instead of 430.000 EUR) statements



QUESTIONS?



VISIT

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for more

Things you wished you knew about Horizon 2020



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Thank
you

for your attention

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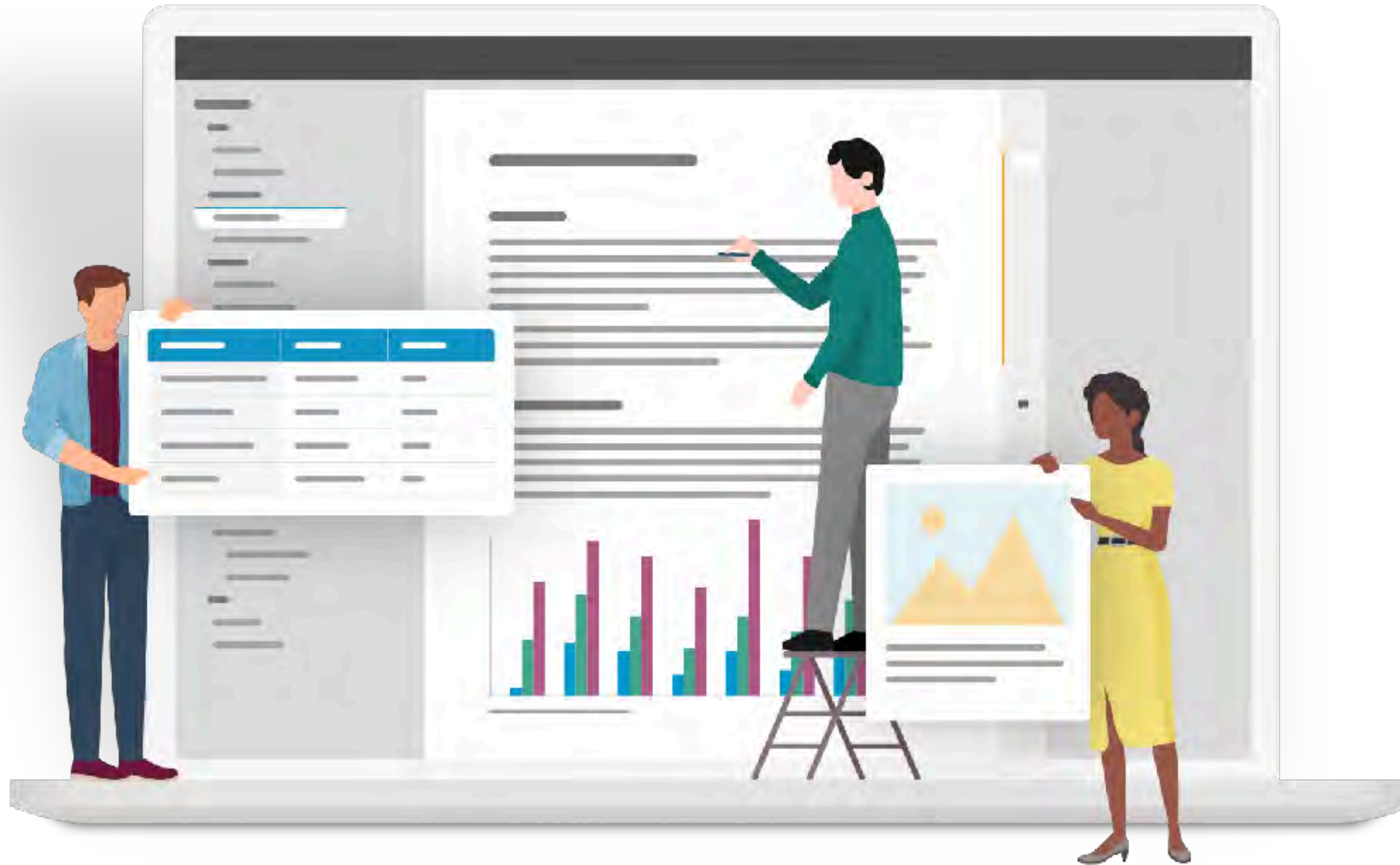
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