



3rd Health Programme 2014-2020

Financial management

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1. General Information



Definition: a grant is a direct financial contribution to an action or functioning of a body

- **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



Cumulative requirements

- **Connected** with the subject of the GA and included in the technical proposal and in the budget description
- **Necessary** for the implementation 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 the beneficiary according to accounting standards and national law

Non-Eligible costs



- Return on capital
- Debt and debt service charges
- Provisions for future losses
- Interest owed, doubtful debts
- Bank costs charged by the beneficiary's bank for transfers from the Agency
- Currency exchange losses
- Costs declared by a beneficiary and covered by another action funded by an EU grant
- Contributions in kind
- Deductible VAT (linked to activity and not to legal entity)



Non Deductible VAT – ELIGIBLE

The revised Financial Regulation, provides for the **full eligibility of the cost of VAT** when attributable to exempt activities or activities out of the scope (of VAT), except activities carried out as a public authority of a Member State.

In other words, **non-deductible VAT is eligible as expenditure, save for those activities matching the concept of sovereign powers exercised by Member States.**



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2. Budget structure

Cost categories



Direct Costs

1. Direct personnel costs

2. Subcontracting

3. Other direct costs

- a. Travel costs and subsistence allowances
- b. Equipment
- c. Other goods and services

Indirect Costs

4. Flat rate of 7% of total direct costs

Direct personnel costs



- **Staff = employment contract** or equivalent appointing act with one of the beneficiaries.
 - *Costs claimed: salary + social security + taxes*
 - *Any other costs included in the remuneration (= statutory charges) based on national law or employment contracts*
 - **Considered as personnel costs**
 - *Costs of natural persons working under a direct contract with the beneficiary other than employment (on the beneficiary's premises, results belong to the beneficiary with similar costs of employment)*
 - *Costs of personnel seconded by a third party against payment*
 - No differentiation on status of public / non-public officials.
- < Contact Human Resources / Accounting Department for data >

Subcontracting



- Contracts awarded to cover the execution of a limited part of the action.
 - *Part of activities undertaken by the project*
 - *Service contracts*
 - *Invoices (including taxes, charges, travel & subsistence costs)*
- Core elements and **technical / financial management** of the action **cannot be subcontracted**.
- Tasks subcontracted must be set out in technical proposal.
- Requirement of **transparency, best value for money** or if appropriate, lowest price. **Conflict of interest** must be avoided.
- < Contact Procurement Department / Accounting for applicable rules and data >

Other direct costs

Travel



Travel & subsistence incurred as costs by the beneficiary for **all participants, except subcontractors** shall be claimed here:

- *Personnel*
 - *Collaborating stakeholders*
 - *Invited experts, speakers*
 - *Board members*
 - *Trainees, other participants*
- Costs should be in line with the beneficiary's usual practice and rules on travel and subsistence

< Contact Human Resources / Accounting for information >

Other direct costs

Equipment



- **Specific equipment** (software, PC, laptop, fee for licence, etc.) necessary for the action
- Costs eligible:
 - Portion of **equipment's depreciation costs** only, for the period of the action, if recorded in the beneficiary's accounts. Purchase and depreciation is in accordance with international accounting principles and the beneficiary's usual accounting practices.
 - Costs of **renting** equipment
 - Cost of **leasing** equipment (excluding financing costs)
- Common software (Microsoft Office, Excel, Word,) are part of Indirect Costs

< Contact [Accounting Department for data](#) >

Other direct costs

Goods and services



- Costs of other goods and services are eligible, if they are purchased specifically for the implementation of the action
- Requirement of **transparency, best value for money** or if appropriate, lowest price. **Conflict of interest** must be avoided.
- Examples
 - *Dissemination of information*
 - *Specific evaluation of the action*
 - *Certificates of financial statements*
 - *Translations, reproduction of reports*
 - *Consumables and supplies (excluding general office supply)*
 - *Conference fees, costs related to meetings / events*
 - *Bank charges (cost of transfers to beneficiaries from the coordinator)*
 - *Cost of financial guarantee, if applicable*

Receipts

Funding sources



- **Co-funding from the EU budget:** Financial contribution granted by European Union.
- **Applicant's financial contribution:** Own financial contribution provided by the applicants.
- **Income generated by the action:** Revenues linked to or generated by the action itself (e.g. admission fee to a conference, sale of equipment used, etc.).
- **Financial contributions by 3rd parties:** Other grants allocated at international / European / national / regional / or local level and/or financial transfers received from donors/sponsor – specifically to be used for the eligible costs of the action.

3. Nature of EC Contribution

Nature of EC contribution



- **EC Contribution = partial reimbursement of costs** incurred by beneficiaries of the grant agreement **at the reimbursement rate**. Costs are assessed at the time of the periodic reports (interim and balance payments)
- **Double-ceiling of EC contribution:** maximum absolute amount + reimbursement rate applied to the consolidated total eligible costs of the action
 - In case of **over-expenditure** – maximum amount is paid
 - In case **under-expenditure** – reimbursement % is applied

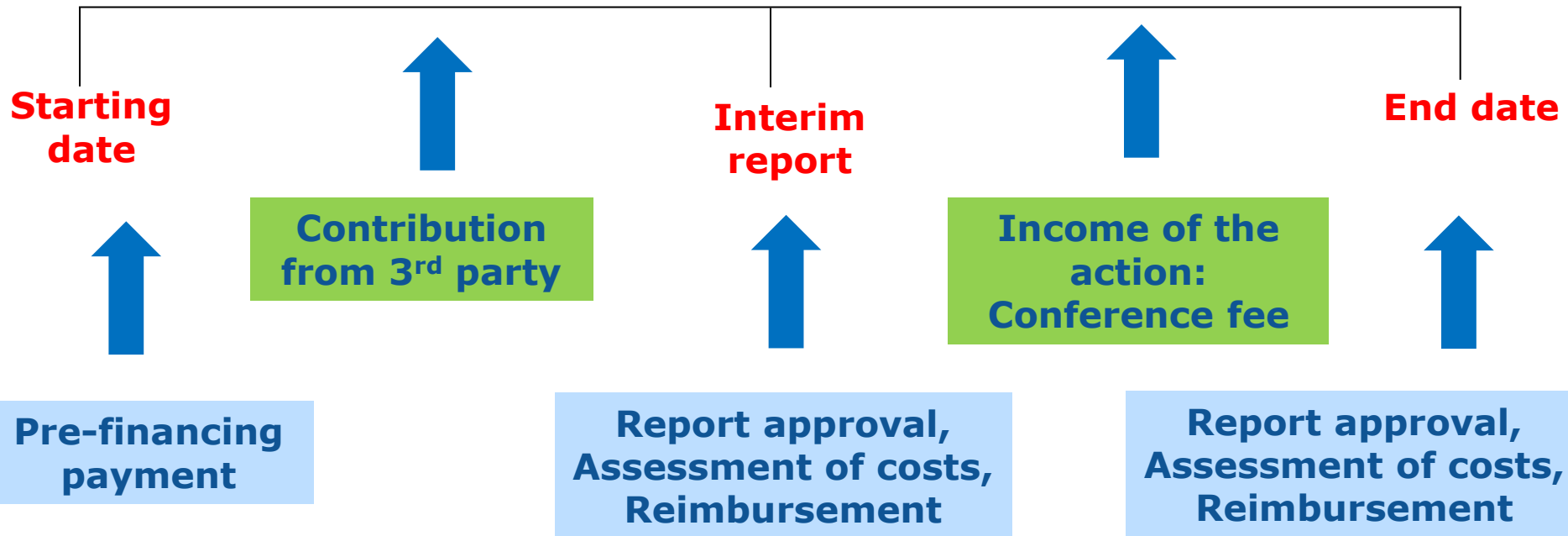
Cash flow of the action



Applicant's contribution



Duration of the action: beneficiaries carry out activities, generate costs and record the costs incurred in their accounting system





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4. Management of the grant

Payments



All payments are made to the coordinator.

- **Pre-financing payment**

- *It provides beneficiaries with a float. It remains the property of the EU until the balance payment.*
- *It will be distributed by the coordinator if **90% of the beneficiaries sign** the accession form and to only those beneficiaries who have signed it.*

- **Interim payments (one or more)**

- *Approval of periodic report + corresponding deliverables*
- *Payment is based on actual costs incurred during the reporting period and approved by the Agency.*
- *Calculation: application of the reimbursement rate on the approved eligible costs for the period.*
- *Total amount of pre-financing and interim payment is limited to 90% of the maximum EU contribution set in the GA*



- **Balance Payment**

- *Reimburses the remaining part of the eligible costs for the implementation of the action.*
- *Approval of final report + corresponding deliverables*
- *Establishment of the consolidated total eligible costs of the action and the final grant amount, refer to slides "Calculation of EU Contribution".*
- *Amount due is the balance of the final grant after the deduction of pre-financing and interim payments.*
- *The balance is a recovery, if the amount of earlier payments exceeds the final grant amount.*

Supporting documents



- **All activities generating costs must fall within the duration**
 - *Events, meetings, delivery of consumables, services etc.*
 - *+2 months: activities directly linked to preparation of the final report*
- **All debts must be established by the time the final report is submitted to the Agency**

Date of invoices and payments can be outside the duration

 - *Prior the duration (e.g. equipment, kick-off meeting)*
 - *After the duration (e.g. service contracts, final conference)*
- **Type of supporting documents**
 - *Timesheets, salary slips, invoices, contracts, purchase orders, acknowledgments of receipts / delivery, participants lists*
 - *The amounts of cost items must be accurately established from the supporting documents and reconciled in the accounting records.*
- **No supporting documents for Indirect Costs**

The final grant amount...



...will be established at the time of the balance payment in 4 steps

- 1. Apply the reimbursement rate** defined in the grant agreement. The Agency assesses and approves the cost claim of the beneficiaries (and its affiliated entities) and establishes the consolidated total eligible costs incurred for the whole action.
- 2. Apply the double-ceiling of the EU Contribution:**
Compare the result of step 1 with the maximum amount of EU contribution defined in the grant agreement

Maximum grant amount will be limited to the lower amount of step 1 and step 2.

The final grant amount cont.



3. **Application of no-profit principle** – is it possible to pay the result of step 2?

Profit is generated when the sum of the result of step 2 and the action's consolidated total receipts is higher than the action's consolidated total eligible costs (step 1).

Check:

- a) Has the action generated any income?
- b) Is there any third party contribution?

If yes, calculate the sum (a + b) and add it to the result of step 2.

Compare results of step 1 and step 3

If step 3 > step 1 – the action would generate profit and the final grant amount should be adjusted

4. **Reduction due to improper implementation of the action**



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5. Tips and observations of past experiences



- **Double-ceiling to the EU Contribution**
 - *Maximum amount of the grant*
 - *Reimbursement rate of total eligible costs*
- Recording the costs in the accounts by applying accounting standards, national law and usual accounting practices of the beneficiaries
- Number of associated partners
 - *All partners with specific knowledge crucial to the action*
 - *Too many – difficult to manage*
 - *Higher share – more commitment*
- Avoid obvious **over / under estimation**
 - *Over-estimation may lead to decreasing of the final EU contribution*
 - *Under-estimation: objectives might not be achieved*

Tips cont.



- Consult HR, Accounting and Procurement
 - *HR department – who is staff, components of salary*
 - *Accounting – must have all available financial information and supporting documents*
 - *Procurement / Sourcing – contracts with third parties, applicable procedures*
- Consortium Agreement
 - *Signed by each partner*
 - *Internal project management, roles and responsibilities*
- “Project manager” minded staff at coordinator and WP leaders, Financial manager at coordinator
- Read the grant agreement

Thank you for your attention!

Questions?