



LIFE Grant Agreement Financial Aspects

Highlights

Kick-off Meetings Call 2016 – Action Grants

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Congratulations for obtaining the Grant! And Welcome to the Finance presentation





SUMMARY

- I. Grant agreement and reporting
- II. Amendments
- III. Eligibility of costs
- IV. Financial statements
- V. Q&A



I. Grant Agreement and reporting





Principles

- The Union does not pay for a service/product
=> The Union contributes to the costs

- Successful use of the grant amount depends on
=> Successful implementation of the project
AND
=> The quality of the project accounts/financial reporting (= the eligibility of costs)



Contribution Principles

- Reimbursement of a fixed percentage of eligible costs
- The grant may not produce a profit for the beneficiaries => i.e. *Consolidated receipts* > *Consolidated Eligible costs*
- All beneficiaries must contribute financially to the project
- EASME may reduce the grant if project is poorly, partially or late implemented



Reference Documents : Grant Agreement

Special Conditions

Annex I : General Conditions

Other Annexes :

- **Annex II : Project Description**
- **Annex III: Estimated Budget**
- **Annex IV: Mandates**
- **Annex V: Model Technical report**
- **Annex VI: Financial Reporting templates => WEB!!**
- **Annex VII: Certificate on Financial Statement => WEB!!**
- **Annex X: Financial & Admin Guidelines => WEB!!**
- **Annex XI: Guidelines for Applicants => WEB!!**



Other documents & forms available on the LIFE Website

- Guidelines re. Amendments
- Guidelines re. Partnership agreements
- Timesheet template
- Q&A on completion of financial statement (to come)

...

<http://ec.europa.eu/environment/life/toolkit/pmtools/>



Obligations useful to remember

- Act as **single contact point** of behalf the consortium
- Issue payments to associated beneficiaries in **30 days**
- **Inform** EASME on distribution of the funds through the report

Above tasks cannot be subcontracted to other beneficiaries or to any other party !!!

- **Partnership Agreement** => first progress report
- Ensure that invoices have **reference to project**

CB/AB/Affiliates cannot act as supplier/subcontractor to each other



Checks/Audits/Evaluation

- Carried out by EASME or any other outside body authorized to do so on its behalf
- You should provide access to the site/premises/information
- Until 5 years after the date of final payment → original documents to be kept
- Obligation to provide information (during project & after final payment)





LIFE TIME PROJECT

Entry into Force
1st Pre-financing

Start
Project

Reporting
Further Pre-financing
Change(s) to GA...

End of Project
Final payment (or
recovery)
Possibility of Audit

Method of Payment : >24 Months OR >300K€

1st Pre-financing
30%

2nd Pre-financing
40%

Payment of the
Balance **max. 30%**

Method of Payment : >48 Months OR >4 Mio€
30%-20%-20%-30%



QUESTIONS?



QUESTION

My organisation's mid-term financial statement amounts to 330,000€. Should I deliver the certificate on financial statements at the time of the mid-term reporting?

YES -



NO -





ANSWER

My organisation's mid-term financial statement amounts to 330,000€. Should I deliver the certificate on financial statements (CFS) at the time of the mid-term reporting?

No- 

Certificates on financial statements are to be delivered **at the time of the final report** (only for the beneficiaries that have reached the threshold of 325,000€ in Union Contribution)



Reporting

- Requests for Payment, technical reports & financial statements => **ENGLISH**
- Technical annexes & supporting documents => **any official language of EU (electronic)**

If maximum contribution > 5 Mio€

- CB to inform EASME by 30 November each year about the cumulative expenditures incurred
- Will only be used for EC's accounting purposes



Further Pre-financing(s)

- 100% previous pre-financing used up
- NO acceptance of costs by EASME at interim stage
- Reporting Schedule – Form C2 to be respected
It can be shifted without amendment in justified cases (e.g. through e-mail confirmation) BUT reporting should be done at least once within every 18 months





Payment of the Balance

- Final financial statements covering **entire project period** => 1 Consolidated statement + individual statements per beneficiary (+ affiliates)
- **Certificate(s) on financial statements per beneficiary and affiliate (+325.000€)**
- Submission within **90 days** - Including **supporting documents requested in the previous interim payment**
- **Signatures** financial statements mandatory for **all**
- **Budget transfer**



Revenues

- Any revenue generated by the project needs to be **recorded** and must be **reported**
- **Established, generated or confirmed** on the date when the request for payment of the balance is established.
Exemple: income generated by selling of a product (which is the core of a project), fees charged to third parties to attend conferences or training events.
- If you generate income, even DURING the project, you may use it, for instance, as matched funding to the funding you receive from the E.U.
- If you would make net profit during the project, the EU funding will be reduced accordingly



Exchange rates

→ Beneficiaries with general accounts **not in € currency** have 2 options:

1. Monthly accounting rates applicable on the day when the costs were incurred
2. Monthly accounting rate of the month following the period covered by the final financial statement

http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/index_en.cfm

→ Non-€ purchases for beneficiaries **with € accounts**
=> Conversion according to usual accounting practices




QUESTIONS?



QUESTION

I am the Coordinating Beneficiary of a project. Just before I submit the interim report, the bank account of the organisation changes. Can I request the change at the same time of the reporting ?

YES - 

NO - 



ANSWER

I am the Coordinating Beneficiary of a project. Just before I submit the interim report, the bank account of the organisation changes. Can I request the change at the same time of the reporting ?

YES -



This can be mentioned in the **payment request (including copy of the updated financial identification form and bank extract)**, however, in principle we would prefer to receive the request a bit in advance to ensure that the grant agreement is amended in time and the amendment does not block the payment.



II. Amendments



Amendments

- Be proactive and ask the monitor
- Always in **writing**: notification by email / letter amendment / contract amendment
- **By person designated in GA or legal responsible**
- Substantial / non-substantial
- Group / Prioritize the requests (unless URGENT)
- **Limit: 1** month before the end of the implementation period



III. Eligibility and Cost categories



Principles

- Actually **incurred** by the beneficiary (own accounts)
- **During project period**, except:
 - Costs re. Final report preparation & audit
 - Your legal obligation to pay should be after the Signature GA/start date of the project
- Indicated in the **estimated budget** or **accepted by EASME**



Principles

- Incurred, in connection with and necessary for the project
- Identifiable & verifiable in accounting records => project codes
- Compliant with applicable tax/social legislation
- Reasonable, justified, compliant with principles of sound financial management (economy/efficiency/effectiveness)





QUESTION

The daughter company of the coordinating beneficiary has executed some tasks on the project. Are these costs eligible?

YES - 

Depends- 

NO - 



QUESTION

The daughter company of the coordinating beneficiary has executed some tasks on the project. Are these costs eligible?

Depends - 

Only when affiliated entity :

- has been identified in the grant agreement
- the cost incurred was budgeted
- is respecting the eligibility criteria



Affiliates

- Should have a **structural link** with the beneficiary concerned (i.e. a legal or capital link) that is neither limited to the project nor established for the sole purpose of the project implementation.
 - ⇒ So the link would exist independently of the award of the grant,
 - ⇒ It should exist before the call for proposals
 - ⇒ And remain valid after the end of the project.
- Those **directly controlled by the beneficiary** (i.e. daughter companies or first-tier subsidiaries), **entities controlling the beneficiary** (mother company) OR in case of **Memberships**, the beneficiary has to be legally defined as a **network, federation, association** in which the proposed affiliated entities participate.



Affiliate or beneficiary?

- Affiliated entities that have an **important budget/role** in the implementation of the project are recommended to be included in the project as an associated beneficiary.
- If **several beneficiaries** want to work with the same 'affiliate', the 'affiliate' should be proposed as 'beneficiary' instead.





Ineligible Costs

- Some examples :
 - Return on capital => **dividends**
 - Exchange losses
 - Durable goods/communication material **without LIFE logo**
 - Contributions **in kind**
 - VAT (unless under conditions)
- Costs of management plans, action plans and similar plans, drafted or modified in the context of a LIFE project, if the related plan is not legally operational before the project end.
- Activities **already financed** by Union



Costs of Personnel

WHO?

- with employment contract (company owners included)
- with an equivalent appointing act (secondment...)
- **assigned to project**

WHAT?

- Actual **salary costs** + social security contributions + other statutory costs
- Costs of **natural persons** under contract (work under similar conditions as employees, in its premises -unless otherwise agreed- result owned by the beneficiary, costs not significantly different of own personnel)



Sole Traders

→ Entities owned and run by one individual and where there is no legal distinction between the owner and the business are considered **natural persons** and are therefore **not eligible** to participate as beneficiary or affiliate in this call.

=> Company owners should have a contract to be eligible under staff costs.





QUESTION

We are a public organisation. A permanent member of staff, working on the LIFE project, has to be replaced during her maternity leave by a temporary employee, specifically recruited for this. While the lady was 'non-additional', can the new recruit be considered 'additional' staff?

YES - 

NO - 



ANSWER

We are a public organisation. A permanent member of staff, working on the LIFE project, has to be replaced during her maternity leave by a temporary employee, specifically recruited for this. While the lady was 'non-additional', can the new recruit be considered 'additional' staff?

YES –



2% rule : The newly recruited person's employment contract starts in this case after the start of the project and he/she is specifically recruited for the project.



2% rule for public bodies only

Sum of public bodies OWN contributions

AT LEAST

102% cost for NON-additional personnel

=> Checked on a Consolidated basis



Additional personnel (Public bodies)

Whose contracts
or contract
renewals
starts:

- After start date of project or
- After signature date of GA
- Specifically assigned
/seconded to the project



Calculation Personnel Cost

1. Hourly rates * **actual project hours**
(if not full time)
2. % of Gross salary (if % of assignment is specified in the work contract)
3. Price fixed in specific work contracts (lump sum; per hour/day => timesheets)

TOTAL SALARY COST CANNOT INCLUDE OVERHEADS



Hourly rates (per year)

$$\begin{aligned} &= \text{Total Annual Salary Cost} \\ &\quad / \\ &\text{total annual productive hours} \end{aligned}$$

ACTUAL as per *timesheets*

OR

for staff exempted from keeping timesheets a default value of 1720 total annual productive hours:

- => *working full time*
- => or a *stable %* of time along the duration of the project,
- => or *less than 2 days* in average per month in a given calendar year



Time Registration

- Daily records of hours spent
- Reconciliation of **total working time** per person
- timesheets/equivalent time registration system
- Certified by **employee + supervisor**



Minimum elements for timesheets or registration system

- Clear identification or reference to the LIFE project.
- Clear identification of the employee.
- Clear identification of the year, month and day.
- Number of working time units worked for the LIFE project.
- Number of working time units worked for other EU-funded projects.
- Number of working time units worked in total.
- Date and signature of the employee/supervisor.
- Consolidated overview of all time worked by the person



Supporting documents to be kept and delivered if requested

Salary slips (accumulated yearly figures)/invoices

Employment contracts/Work contracts

Extract payroll account

Extracts of relevant legislation relating to social charges

Secondment/assignment letters

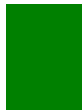
Timesheets



QUESTION

In the frame of the project, the project manager needs to travel to a congress at a destination outside the EU. This travel was not foreseen in the budget. Is the cost eligible ?

YES -



Depends-



NO -





Eligibility of costs

Answer

In the frame of the project, the project manager needs to travel to a congress at a destination outside the EU. This travel was not foreseen in the budget. Is the cost eligible ?

DEPENDS – 

You will need to check the eligibility criteria :

- during the duration of the project ?
- needed for the project ?
- if not in budget, approval received ? (e.g. through reporting)
- no excessive costs etc...



Eligibility of costs

Travel and Subsistence

- Charged in accordance with beneficiary's usual practices on travel & subsistence
- Costs incurred by employees
- Not for travel between home/work place
- You can group expenses in one single transaction (e.g. regarding one travel)
- If not foreseen, clearly justified



QUESTIONS?



Eligibility of costs

Supporting documents to be kept and delivered if requested

Flight tickets, hotel invoices,...

Logbooks e.g. use car,...

Internal rules



QUESTION

I am a private beneficiary and need to buy an equipment estimated at 100,000€. Can I award the contract to my usual provider since I know he is the best in the market for this specific equipment?

YES - 

NO - 

Depends - 



ANSWER

I am a private beneficiary and need to buy an equipment estimated at 100,000€. Can I award the contract to my usual provider since I know he is the best in the market for this specific equipment?

Depends - 

- **Rule: tender offering best value for money** or, as appropriate, to the tender offering the **lowest price**. In doing so, **avoid any conflict of interests**.
- If tender awarded before start of project => beneficiary to demonstrate compliance with the above rule (otherwise new procedure to be launched).



Award of contracts

⇒ Value for money/lowest price & absence of conflict of interest:

- Public bodies = Public procurement Rules
- Other = Internal rules + open Tender if >130,000 (Call 2016)

Attention:

- No split awards/purchases in case of linked services/items
- No award of contracts between beneficiaries/beneficiary-affiliate



Subcontracts/ External Assistance

- 35% ceiling (unless justified)
- Project reference on subcontract/invoices
- Purchased/leased (LT) at normal market rates
- Includes short term lease of land when applicable (expires before end of project)



Supporting documents to be kept and delivered if requested

Proof award procedure (e.g. call/request for offers, offers received, protocol award committee,...)

Detailed invoices/contract issued to the beneficiary with clear reference to the LIFE project

Explanation if declared amount is different from invoice amount



Durable Goods (New/2nd hand)

Depreciation charges eligible when :

- Award of contracts
- In beneficiary's **inventory**/capitalized
- Purchased/leased at **normal market rates**
- Depreciation in accordance with **national accounting rules** & **usual** accounting practises of **beneficiary**
- Depreciation only for % allocated to the project
- **LIFE Logo**



Depreciation Ceilings (per item)

Equipment costs : 50% total purchase cost

Infrastructure costs : 25% total purchase cost

Prototype : 100% (when applicable in LIFE strand)



Large infrastructure is in principle not eligible:

= single item of infrastructure" > € 500,000

(means all elements physically bound to ensure the functionality of the infrastructural investment)

Clear description and breakdown per cost item, e.g.
'supporting steel construction', 'foundation of installation',
'fencing' etc.

Important: All the costs related to infrastructure, even if the work is carried out under sub-contract with an external entity, should be reported under the heading 'Infrastructure'.



Prototype

Specifically created for project

it must play a crucial role in the demonstration activities

it cannot be available as a serial product

Never been commercialized

Not to be used for commercial purposes during project
(otherwise : depreciation and income declared)



Other Costs & Consumables

- Award of contracts => **Value for money/lowest price & no conflict of interest**
- LIFE Logo on communication material
- Examples other costs:
 - Financial guarantee,
 - Certificate on financial statement,
 - translation,
 - dissemination costs,
 - travel costs of non-employees...
- !!!general daily Office supplies = Indirect costs



Indirect Costs : Overheads

- **Max. 7%** of the total eligible costs of the **beneficiary** concerned
- Supporting documents : no invoices needed



VAT

- Only non-recoverable VAT can be claimed
 - **Certificate of national tax authorities** already to be submitted at interim report stage
 - If the above do not provide it then **explicit declaration of independent financial auditor** at end of project
- For Public bodies : No VAT eligible related to activities engaged in as public authorities => if VAT claimed : **certificate issued by the competent national authority to certify that it is not related to activities engaged in as public authority.**



QUESTIONS?



IV. Financial Statements



→ PRINCIPLES:

- **ACTUAL** – never estimated nor budgeted
- Recorded **in the accounting records of the beneficiary** according to the applicable accounting standards of the country/usual accounting practices.

→ HOW TO REPORT – GENERAL ISSUES:

- **Per beneficiary and per affiliate** an individual financial statement
- **Coordinating beneficiary** (consolidated financial statement which integrates budget shift at final reporting stage, overview distribution funds, overview costs/income,....)
- Beneficiaries with affiliates:
 - Include **1 line per cost category for affiliates** inside own financial statement
- Personnel costs - **use one line per person per year** (or per month in case of non-EUR beneficiary using exchange rate of date cost incurred)



Budget shift

In principle **ONLY** at **final report stage**

Max. 20% of overall eligible costs between the different budget categories

No limitation to transfer among beneficiaries from and to the same cost category

Increased budget flexibility in order to avoid formal amendment => increased responsibility CB

Subsequent budget changes within the flexibility are always compared to the latest Annex III

Do not hesitate to use the template to check scenarios





Tips

- **Timesheets** – consolidated time - **from day 1!**
- Start completing the financial report asap + documenting deviations
- CB to keep copies of all documents (Audits of the project might take place at its premises)
- **Contract award procedures** in place ?
- Systems/routines/internal guidance (validation of timesheets, travel cost, ...) in place?
- Project reference is part of the mailing address given to suppliers
- Project/accounting codes => stamp on invoices



Common oversights

- Calculation of hourly/Daily rates (e.g. no usage of actual productive time, incl. non-eligible costs like overheads, ...)
- No timesheets or non-compliance with rules
- No 'assignment' to the project (2% rule !)
- Insufficient justification of costs or deviance
- Missing 'award procedure' (offers, award decision)
- Missing underlying accounting documents
- Wrong/no depreciation
- Invoices not linked to the project
- Purchases between related companies (absence of conflict of interest to be documented)

THIS MAY RESULT IN NON-ACCEPTANCE OF COSTS



V. QUESTIONS





SUPPORT:

- 1) TECHNICAL MONITORS (TMO)
- 2) EASME PROJECT ADVISORS / FINANCIAL OFFICERS



THANK YOU

&

GOOD LUCK WITH THE IMPLEMENTATION
OF THE LIFE PROJECT!