

EC Framework Programme 7 Financial Overview

Originally presented at RGUG Tuesday 4 March 2008

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Introduction

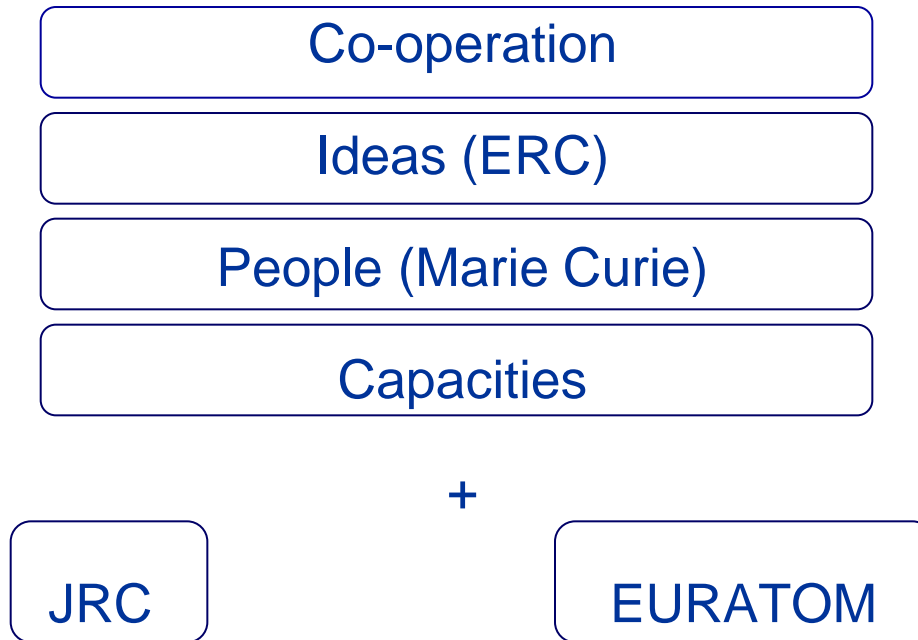
This presentation covers the following topics:

- Overview of FP7 funding
- Contractual documents and eligible costs
- VAT treatment & Timesheet requirement
- University Financial System & FP7
- Payments from EC
- Foreign exchange policy
- Reporting and auditing requirements
- Further information sources

Overview of FP7

- FP7 = Framework Programme 7
- Research funding mechanism for European Union
- Awarded over 7 years from 2007-2013
- €54 billion budget
- Organised through specific programmes for funding

Specific Programmes



ERC = European Research Council

JRC = Joint Research Council for provision of scientific and technological support for EU Policies.

Euratom = Fusion Energy Research

Introduction to Reimbursement Rates

- A reimbursement rate is the % of your costs the EC will reimburse (100% of all costs or perhaps a lower %)
- The different types of EC projects (different funding programmes) have different reimbursement rates
- Within the Cooperation programme different types of costs can also have different reimbursement rates
- Universities and public bodies receive higher reimbursement rates than private companies
- The table following explains the rates applicable to Cambridge

Reimbursement & Overhead rates table

Project	Cost Type	FP7 Public Bodies Reimbursement Rate
Co-operation	RTD*	75%
	Demonstration	50%
	Management	100%
	Other**	100%
	+ 60% indirect costs*** (7% if coordination and support)	
ERC	100% direct costs + 20% for indirect costs***	
Coordination Actions; Support Actions	100% direct costs + 7% for indirect costs***	
Marie Curie Actions	Lump sum/flat rates + 10% for indirect costs***	

*Developing new knowledge, new technology and products, inc coordination

** Training, Consortium Management *** excepting audit and other sub-contracting

Reimbursement Rates Explained

- On an ERC project Cambridge is reimbursed all its eligible direct costs plus 20% towards its overheads
- For Research costs on a collaborative project the EC contribute 60% to indirect costs but only reimburse 75% therefore Cambridge view this as 100% of direct costs reimbursed plus 20% for indirects (75% of 100+60).
- Any collaborative projects with a high amount of demonstration costs must be co-funded as the EC will only contribute 80% of direct costs (50% reimbursement of 100+60).

EC Requirements – Contractual Documents

The following documents together form the legal contract with the EC

- Grant Agreement
- Annex I – project specific, description of work
- Annex II – general terms and conditions
- Annex III –specific requirements for contract type
- Annex IV – VII Forms for use during project

Non project specific annexes are available online here:

http://cordis.europa.eu/fp7/find-doc_en.html

EC Requirements – Contractual Documents

The Annexes supercede each other as follows:

- *EU Legislation* takes precedence over project *Contract* (Grant Agreement and Annexes)
- *Grant agreement & general Annexes (i.e. Annex II and III)* take precedence over project specific *Annex I* (i.e. you can't write in your Annex I that you plan to charge VAT to the grant for a large piece of equipment and assume if the EC approve the Annex I the Vat is eligible as Annex II states it is not).
- *Contract* (Grant Agreement and Annexes) takes precedence over *Guide to Financial Issues*.
- *Contract* takes precedence over *Consortium Agreement*

Eligible Costs – Article II.14

To summarise Article 14 of Annex II in order to be eligible costs must be :-

- Actual
- Incurred by the beneficiary
- During the project
- In accordance with normal accounting and management principles of your institution
- Used for the sole purpose of achieving project objectives (reasonable)
- Indicated in estimated overall budget in Annex I

i.e. Sub-contracting must be outlined in Annex I to be eligible

There is also a section on ineligible costs (Article II.15)

VAT Ineligible

- Identifiable VAT is an ineligible cost on EC FP7 grants
- VAT can no longer be claimed from EC or HM Revenue & Customs
- VAT is therefore an additional cost needing to be funded from department funds
- VAT will be charged to departments' overheads account (EDAA) using transaction code (EXCD)
- VAT is often coded to EC grants on personal expense claims – if VAT shows on the receipt it must be separated out and not charged to the grant.
- NB It is expected that VAT will become eligible in the next EC funding programme – Horizon 2020

Timesheet Requirement

- Most relevant staff costs can be charged to the project e.g. actual PI time spent on the project
- Establishing staff costs are correct is a major section of new audit requirements
- Therefore need system to track hours spent on project = Timesheets
- Cambridge Research Office (CRO) have further advice and a standard template available online:
<http://www.admin.cam.ac.uk/offices/research/ec/postaward/Timesheets.aspx>

University Financial System (UFS) for EC Awards

- UFS calculates correct overheads dependant on type of award
- UFS copes with awards where full costs cannot be claimed (reimbursement rate < 100%) through a price adjustment process
- Special FP7 VAT process – not coding VAT to the grant
- The UFS has been set up with Tasks specific to EC grants to enable efficient financial reporting
- The financial reports will be based on UFS figures so please ensure all costs are coded to the correct task

FP7 Tasks for Marie Curie

- Task 1 – Staff Allowances (researcher via payroll, no manual coding)
- Task 2 – Participation Expenses (researcher)*
- Task 3 – Host Expenses (research)*
- Task 4 – Host Expenses (conferences)
- Task 5 – Management
- Task 6 – Other

* *For awards made after Jul 2011 Tasks 2 and 3 are merged, please use task 2*

FP7 Price Adjustment Process

- Where the full costs cannot be claimed from the EC the FW7 Price Adjustment process posts a cost reduction
- All direct costs are covered where possible, the reduction is taken from any available overheads
- This process is run at month end before the grants module is closed
- Please see example following:

Example Award Status Report with price adjustment

Task Number / Name : 1 / RTD

Project	Task	Expenditure Category / Type	Budget
EWAG/007	1	EC FW7 PRICE ADJUSTMENT	-83,333.33
EWAG/007	1	EQUIPMENT	6,944.44
EWAG/007	1	OTHER COSTS	55,555.56
EWAG/007	1	OVERHEADS	125,000.00
EWAG/007	1	STAFF COSTS	138,888.89
EWAG/007	1	TRAVEL AND SUBSISTENCE	6,944.44
(1 / RTD) Task Totals :			250,000.00

Task Number / Name : 4 / Management

Project	Task	Expenditure Category / Type	Budget
EWAG/007	4	OTHER COSTS	3,472.22
EWAG/007	4	OVERHEADS	4,166.67
EWAG/007	4	STAFF COSTS	6,944.44
(4 / Management) Task Totals :			14,583.33
(EWAG/007) Project Totals :			264,583.33

Foreign Exchange Losses/Gains

For all EC grants activated after 1st August 2009:-

- The grant is activated at a set exchange rate, set by the Finance division
- There is no re-budgeting during the lifetime of the grant for foreign exchange fluctuations
- Any loss/gain is born by the Chest, not the Department

EC Financing

- UFS set up for total budget at project start
- EC pay Cambridge prefinancing at start of project
- Thereafter paid based on costs reported in official reporting period
- 10% of EC contribution always retained by Commission until project end
- There is no collective financial responsibility within a consortium. 5% of the project budget is invested for the duration of the project into a 'Guarantee Fund' which covers any potential losses to the project.

Reporting & Auditing

- Financial statement (Form C) prepared by CRO
- Other reports (scientific or Justification of Costs) provided by PI/Department
- Certificates of Financial Statement (replace old 'Audit Certificates') arranged by CRO
 - required when beneficiary is claiming more than €375,000 (cumulatively over one or more periods)
- Commission may conduct an audit within 5 years of the end date. Keep hold of all project records in case of audit.
- Keep track of all Marie Curie fellows for 3 years

Further Information

- CRO website has more information and guidance notes
<http://www.admin.cam.ac.uk/offices/research/ec/default.aspx>
- Any questions – contact your Research Support Advisor who you can find through this link:

<http://www.admin.cam.ac.uk/offices/research/contact/departmentsearch.aspx>

- or Renata Schaeffer, EC Policy Manager

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