



LIFE Grant Agreement Financial Aspects

Highlights

Kick-off Meetings Call 2015 – Action Grants

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Congratulations for obtaining the Grant !

- ➔ 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 report



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

- Model LIFE Grant Agreement
- Guidelines re. Amendments (coming soon)
- Guidelines re. Partnership agreements
- Monitoring indicators (coming soon)
- Timesheet template

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



Obligations Beneficiaries

Jointly & severally **responsible** for implementation

Comply with **legal obligations**

Partnership Agreement => first progress report

Updated **project accounting**

Ensure that invoices have **reference to project**

Contribute financially to the project

Not act as supplier/subcontractor to CB/AB!!!



Obligations Coordinating Beneficiary (CB)

Monitor project implementation

Intermediate for ALL **communications** (Payment requests, amendments...)

Payments to associated beneficiaries in **30 days**

Inform EASME on distribution of the funds

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



Obligations Associated Beneficiary (AB)

Inform CB immediately of any change/delay affecting **implementation**

Immediate information to CB on **legal and administrative changes** (address, affiliates, legal representative, ...)

Submit **in due time** technical/financial reports, or any other information or documents required



Contribution Principles

- Reimbursement of a fixed percentage of eligible costs (art. I.3)
- The grant may not produce a profit for the beneficiaries (art. II.25.3)
=> i.e. *Consolidated receipts > Consolidated Eligible costs*
- EASME may reduce the grant if project is poorly, partially or late implemented (art. II.25.4)
- All beneficiaries must contribute financially to the project (art. II.1.1(g))



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 : $>24 \text{ M}$ OR $>300\text{K€}$

1st Pre-
financing
30%

2nd Pre-
financing
40%

Payment of
the Balance
max. 30%



1st Pre-financing (Art. I.4/II.24.1) in 30 days

- Upon Entry into force
- GA signed by both parties
- Receipt originally signed GA by EASME
including Annexes !!!
- Upon receipt **guarantee** if defined in GA
- And in accordance with the **template**



Further Pre-financing(s) (Art. I.4/II.23.1/II.24.2)

100% previous pre-financing used up

Signed payment request

Technical mid term report

Interim financial statements

Submission within 60 days



Further Pre-financing(s) (Art. I.4/II.23.1/II.24.2)

NO ACCEPTANCE OF COSTS BY EASME at interim stage as it is a pre-financing, not a settled payment...

Signature financial statements mandatory for CB

Reporting Schedule C2 can be shifted without amendment in justified cases



Payment of the Balance (Art. I.4/II.23.2/II.24.4)

Signed payment request

Final technical report

Final financial statements covering **entire project period**

- 1 Consolidated statement + individual statements per beneficiary (+affiliates)

Certificate(s) on financial statements

Signatures financial statements mandatory for **ALL**



Payment of the Balance (Art. I.4/II.23.2/II.24.4)

Submission within **90 days**

Including **supporting documents** (3 biggest invoices)

Including **Budget transfert** information



Budget Flexibility

Max. 20% of overall eligible costs

Increased budget flexibility in order to avoid formal amendment => increased responsibility CB (risk non-acceptance costs)

Project implementation as described in Annex II

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



Certificate on the Financial Statements

For each beneficiary for which the Requested EU contribution **\geq 325 000 €**

Produced by qualified independent auditor

Certify that costs are in line with GA and national rules
+ all receipts

Format as published on website



If max. 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



Other important items regarding payments

Bank Account (Art. I.5)

- TBC with payment request

Interest on Late payment (Art. II.24.8)

- For non-public CB
- Calculated automatically >200 €
- Up to 200 € : on request



Exchange rates

- ➔ Beneficiaries with general accounts in **non-EUR** currency (2 options) :
 1. **Monthly accounting rates** applicable on the day when the costs were incurred
 2. **Single Monthly accounting rate** of the month following the end date of the period

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

- ➔ Non € purchases for AB with € accounts :
 - ⇒ Conversion according to usual accounting practices



Language Reporting

Requests for Payment, technical reports & financial statements = **ENGLISH**

Technical annexes & supporting documents
= **any official language of EU**



Suspension Time Limit Payments (Art.II.24.5)

Non-compliance with grant agreement

Non-compliance with reporting templates

Missing supporting documents

Doubt on the eligibility of costs => clarifications



Rejection of Reports (Art. II.24.5)

First rejection => new report

New report rejected => EASME might terminate



Non-submission of documents (Art.II.23.3)

- If set of reports has not been submitted **within deadline => written reminder**
- If no submission **after written reminder**
=> EASME might **terminate the GA**



Eligible Costs (Art. II.19)

- Actually *incurred* by the beneficiary
- *During project period* (Art. I.2.2)
 - Except costs re. Final payment request & audit
 - Legal obligation to pay > start date OR signature GA
- Indicated in the *estimated budget* or *accepted by EASME*
- Incurred *in connection with + necessary* for the project
- *Identifiable & verifiable* – in accounting records
- Compliant with applicable *tax/social legislation*
- *Reasonable, justified*, compliant with principles of *sound financial management* (economy/efficiency/effectiveness)



Ineligible Costs (Art. II.19.4 + fin. guidelines)

→ Some examples :

- Costs not foreseen in the project
- Return on capital => **dividends**
- Exchange losses
- Durable goods/communication material **without LIFE logo**
- **Already financed** by Union (e.g. overheads operating grants)
- **Contributions in kind**
- VAT (unless under conditions)
- Costs related to actions considered as compensatory measures
- 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.



Costs of Personnel

WHO?

- with employment contract
- with an equivalent appointing act
- Public bodies: **assigned to project**

WHAT?

- Actual **salary costs** + social security contributions + other statutory costs
- Costs of **natural persons** under contract (work under his instructions, in his premises, result owned by him, cost not significantly different of own personnel)

(see Fin. Guidelines pg 13/17)



2% rule for public bodies only

Sum of public bodies contributions

>

102% cost for NON-additional personnel

=> This is done on a Consolidated basis



(Public bodies) Additional personnel

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

→ Personnel cost

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

→ Hourly rates (per year) = $\frac{\text{Total Annual Salary Cost}}{\text{total annual productive hours}}$
(1720 or as per timesheets)

→ TOTAL SALARY COST CANNOT INCLUDE OVERHEADS



Time Registration

- Daily records of hours spent
- Reconciliation of **total working time** per person
- timesheets/equivalent time registration system
- Certified by **employee + supervisor**
- See pg 3-5 of financial guidelines



Supporting Documents Personnel Costs

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



Travel and Subsistence

- Charged in accordance with beneficiary's usual practices on travel
- Costs incurred by employees (or equivalent)
- Not for travel between home/work place
- You can group expenses in one single transaction (e.g. regarding one travel)
- You can report subtotals + annex detailed report

See pg 19 Fin. guidelines



Supporting Documents Travel Costs

Flight tickets, hotel invoices,...

Logbooks e.g. use car,...

Internal rules



Subcontracts/External Assistance

→ Award of contracts :

⇒ Value for money/lowest price

⇒ & no conflict of interest

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

→ 35% ceiling

→ Project reference on subcontract/invoices

See page 17-18 Fin. Guidelines



Durable Goods (New/2nd hand)

Depreciation charges eligible when :

- Award of contracts
- In beneficiary's **inventory**/capitalized
- Purchased/leased (LT) at **normal market rates**
- Depreciation in line with national rules and usual practice
- Depreciation only for % allocated to the project
- **LIFE Logo**

See page 19-21 Fin. Guidelines



Depreciation Ceilings

Infrastructure costs : 25% total purchase cost

Equipment costs : 50% total purchase cost

Prototype : 100% (when applicable in LIFE strand)



Prototype

Specifically created for implementation project

Never been commercialized

Not to be used for commercial purposes during project (otherwise : depreciation !)



Other Costs & Consumables

- Award of contracts => Value for money/lowest price & no conflict of interest
- General Office supplies = Indirect costs (overheads)
- LIFE Logo on communication material
- Other cost category = Financial guarantee, audit final financial statement, translation, dissemination costs...

See page 21-22 Fin. Guidelines



Supporting Documents

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

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

Explanation if invoiced amount is different from contractual amount



Indirect Costs : Overheads (Art II.19.3)

- Max. 7% of the total eligible costs of the beneficiary concerned i.e. on individual basis
- 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
- No VAT eligible related to activities engaged in as public authorities **UNLESS certificate issued by the competent national authority.**
- Your suppliers cannot be asked to provide a 'VAT-exempted invoice' because of EU project !



Tips

- **Timesheets** – consolidated time - **from day 1!**
- Use percentage of assignment in employment documents
- Start completing the financial report asap + documenting deviations
- CB to keep copies of all documents (Audits of the project might take place at his 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



Frequent Errors

- Calculation of hourly/Daily rates (e.g. wrong productive time, incl non-eligible costs like overheads, ...)
- No timesheets
- No 'assignment' to the project
- Insufficient justification
- No 'award procedure'
- No underlying accounting documents
- Purchases between related companies (Conflict of interest!)
- Wrong/no depreciation
- Invoices not linked to the project

THIS MAY RESULT IN NON-ACCEPTANCE OF COSTS



Changes to the grant agreement

- Cannot call into question award of grant !
- At the latest 1 month before the end
- In writing: letter (sometimes e-mail)
- By person designated in GA or legal responsible
- Always notify in case changes to implementation
- Group/Prioritize the requests
- Approval of changes : 3 possibilities (contract amendment/letter/e-mail)



Suspensions by EASME/CB

By CB : in case of 'exceptional circumstances' (e.g. force majeure) => To inform on reasons and foreseeable date of resumption

By EASME : Suspicion that a beneficiary committed substantial errors, irregularities, fraud, breach of obligations (in this grant or any other grant)

Effects : Resumption (amendment) if not terminated & No costs during suspension



Termination by EASME/CB Project or Beneficiary (Art. II.16)

CB can terminate the Project in Agreement with all beneficiaries

CB can terminate a Beneficiary's participation --> amendment

EASME can terminate in case the award is called into question, failures in the implementation, force majeure, bankruptcy, fraud etc...

Effects : Reimbursement of eligible costs incurred up to level of implementation only.



Checks/Audits/Evaluation (Art II.27)

Carried out by EASME or any other outside body authorised to do so on its behalf

Access to the site/premises/information (incl electronic)

Until 5 years after the date of final payment → original documents to be kept

Obligation to provide information (during project & after final payment)

Effects: Recovery **all or part of the payments or repayments**



QUESTIONS ?



THANK YOU & GOOD LUCK!