



How to avoid pitfalls when budgeting for Horizon Europe?

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Agenda

- Basic budgeting rules and principles
- The Horizon Europe (HE) corporate Model Grant Agreement (MGA) budget table
- Which changes from H2020 to Horizon Europe (HE) are important for budgeting?
- Changes in terminology
- “Missing” and new cost categories in the budget
- New categories of income in proposal template budget
- Changes in cost calculation rules
- Strategies for development of your budgeting tools
- Budgeting proposals as a Coordinator
- What seems unclear at the moment?
- Where to look for clues and guidance?

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Basic budgeting rules and principles

- Use available sources
 - No Annotated Model Grant Agreement published yet
- Understand criteria/preconditions for eligible costs
 - Article 6 of the Horizon Europe (HE) corporate Model Grant Agreement (MGA)
- Understand relevant HE terminology
- Understand the cost categories and where costs belong
- Understand relevant HE cost calculation rules

The HE corporate MGA budget table

ANNEX 2 HORIZON EUROPE MGA – MULTI + MONO

ESTIMATED BUDGET FOR THE ACTION

Estimated eligible ¹ costs (per budget category)																Estimated EU contribution ²					
Direct costs															Indirect costs	Total costs	EU contribution to eligible costs			Maximum grant amount ⁶	
A. Personnel costs			B. Subcontracting costs	C. Purchase costs			D. Other cost categories ³						E. Indirect costs ³	Funding rate z ⁴	Maximum EU contribution ⁵		Requested EU contribution				
A.1 Employer (or equivalent)	A.4 SME owners and natural persons beneficiaries		B. Subcontracting	C.1 Travel and subsistence	C.2 Equipment	C.3 Other goods, works and services	D.1 Financial support to third parties ⁷	D.2 Internally invoiced goods and services	D.3 Transnational access to research infrastructure unit costs ⁷	D.4 Virtual access to research infrastructure unit costs ⁷	OPTION for HE FCF/FPF; D.5 PCP/FPF procurement costs ⁷	OPTION for Euratom Programme Co-fund Actions; D.6 Euratom Co-fund staff mobility costs ⁷	OPTION for HE ERC Grants; D.7 ERC additional funding (sub-contracting, FSTP and internally invoiced goods and services) ⁷	E. Indirect costs							
A.2 Natural persons under direct contract																					
A.3 Seconded persons																					
Forms of funding	Actual costs	Unit costs (usual accounting practices)	Unit costs ⁷	Actual costs	Actual costs	Actual costs	Actual costs	Actual costs	Unit costs (usual accounting practices)	Unit costs ⁷	Unit costs ⁷	Actual costs	Unit costs ⁷	Actual costs	Actual costs	Flat-rate costs ⁸					
	a1	a2	a3	b	c1	c2	c3	[41]	d2	[43]	[44]	[45]	[46]	[47]	[48]	0,25 * (a1+a2+a3+b+c1+c2+c3+d1+d2+d3+d4) [49] [49] [49] [49]	f = a+b+c+d+e	U	q = f * U %	h	m
1 – [short name beneficiary]																					
1.1 – [short name affiliated entity]																					
2 – [short name beneficiary]																					
2.1 – [short name affiliated entity]																					
3 – [short name associated partner]																					
Total consortium																					

RIA / IA – HE proposal budget table, Part 1

No	Participant name	Country	Estimated expenditure							Estimated income							
			Estimated eligible costs							Requested EU contribution		Revenues	Other sources of financing		Total estimated income		
			A. Personnel costs/€ (a1)	B. Subcontracting costs/€ (b)	C. Purchase costs			D. Other cost categories D.X [specific cost category] /€ (dx)	E. Indirect costs/€ (e) = 25% * [(a1) + (c1) + (c2) + (c3) + (d7)]	Total eligible costs (h) = (a1) + (b) + (c1) + (c2) + (c3) + (d) + (e)	Funding rate (U)	Maximum EU contribution to eligible costs (l) = (U) * (h)	Requested EU contribution to eligible costs/€ (Requested grant amount) (m) (n)	Income generated by the action (o)		Financial contributions (q)	Own resources (r)
					C.1 Travel and subsistence/€ (c1)	C.2 Equipment/€ (c2)	C.3 Other goods, works and services /€ (c3)										
(s)=(n) + (o)+(p)+ (q) + (r)																	
1	Participant 1	NL															
2	Participant 2	LB															
	Affiliated Entity	LB															
3	Participant 3	DE															
	Associated Partner	AR															
Total																	

RIA / IA – HE proposal budget table, Part 2

			Estimated project expenditure						Estimated eligible costs	
			D. Other cost categories							
No	Participant name	Country	D.1 Financial support to third parties (Actual costs) (d1)	D.2 Internally invoiced goods and services (Unit costs - usual accounting practices) (d2)	[D.3 Transnational access to research infrastructures (Unit costs) (d3)	[D.4 Virtual access to research infrastructures (Unit costs) (d4)]	[D.5 PCP/PPI procurement costs (Actual costs) (d5)]	[D.6 Euratom Cofund staff mobility costs (Unit costs) (d6)]	[D.7 ERC additional funding (Actual costs) (d7)]	[D.8 ERC additional funding (subcontracting, FSTP and internally invoiced goods and services) (Actual costs) (d8)
1	Participant 1	NL								
2	Participant 2	LB								
	Affiliated Entity	LB								
3	Participant 3	DE								
	Associated Partner	AR								
Total										

“Corporate” budget table?

○ ERC

- Budget table in 2021 calls
- Personnel categories unique to ERC Grants

Beneficiary Short Name	PI	Senior Staff	Postdocs	Students	Other Personnel costs	A. Total personnel costs/€	B. Subcontracting Costs/€ (No indirect costs)	C.1 Travel and subsistence	C.2 Equipment -including major equipment	Consumables incl. fieldwork and animal costs	Publications (incl. Open Access fees) and dissemination	Other additional direct costs	C.3 Total other goods, works and services	Total Purchase costs/€	D. Internally invoiced goods and services/€ (No indirect costs)	E. Indirect Cost /€	Total Eligible Costs	Requested EU contribution /€
	0	0	0	0	0	0.00	0	0	0	0	0	0	0.00	0.00	0	0.00	0.00	0.00
Total	0	0	0	0	0	0.00	0	0	0	0	0	0	0.00	0.00	0	0.00	0.00	0.00

○ MSCA?

- No Work Programme or proposal templates published yet

Which changes from H2020 to Horizon Europe (HE) are important for budgeting?

- Changes in terminology
 - Understand the new “language”
- New and “missing” cost categories in the budget
 - Understand where different kinds of costs fit
- Changes in cost calculation rules
 - Know how to calculate the costs correctly

“X” costs -> ? costs

Cat. 1	Cat. 2	Cat. 3	Cat. 4	Cat. 5
	Gone!	?	New!	New!

$Y = a * x + b?$

Changes in terminology

- Changes in terminology that are relevant for the budget
 - For the beneficiary calculating its budget
 - For the Coordinator integrating the budget for the consortium

H2020	Horizon Europe	Relevance of change
Other direct costs	Purchase costs	Name change
Other goods and services	Other goods, works and services	Name change
In-kind contributions by 3 rd parties	In-kind contributions by 3 rd parties provided <u>free of charge</u>	In-kind contributions does <u>not</u> apply to contributions provided against <u>payment</u>
	Seconded persons, purchase costs	
Linked 3 rd party	Affiliated entity	Position and costs in consortium budget
International partner	Associated partner	No costs/EU funding in consortium budget

“Missing” and new cost categories in the budget

○ “Missing” budget cost categories from H2020

➤ Estimated costs of in-kind contributions not used on premises

- Additional information for indirect costs
- Not deemed relevant under HEU rules. More on this later

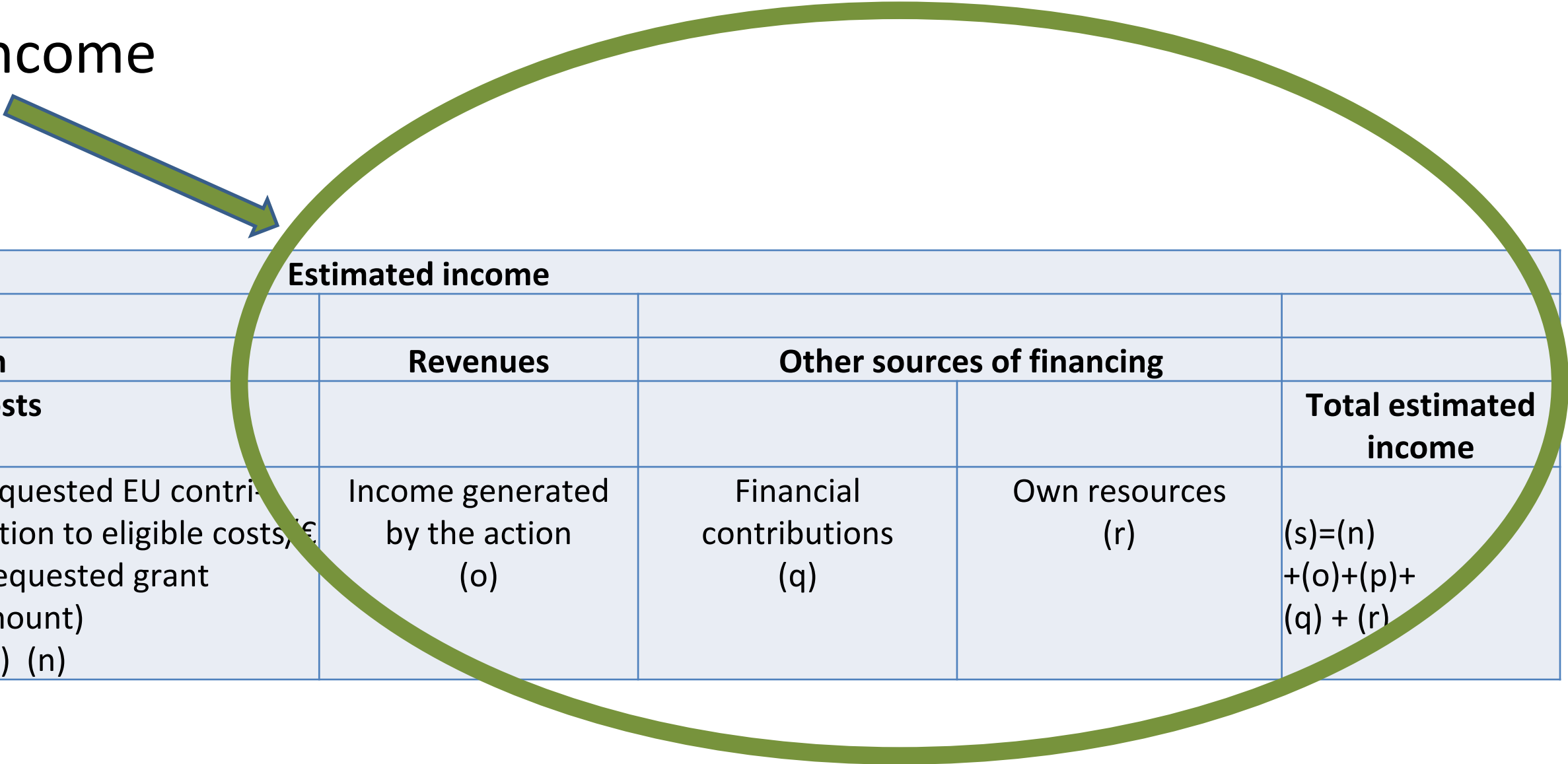
○ New budget cost categories in the HE MGA corporate budget table

➤ D. Other cost categories Categories marked in red only applicable for certain calls

- D1 Financial support to third parties
- D2 Internally invoiced goods and services
- D3 Transnational access to research infrastructures
- D4 Virtual access to research infrastructures
- D5 PCP/PPI procurement costs
- D6 Euratom Cofund staff mobility costs
- D7 ERC additional funding
- D8 ERC additional funding (subcontracting, FSTP and internally invoiced goods and services)

New categories of income in proposal template budget

- New budget columns for income



Requested EU contribution			Estimated income			
EU contribution to eligible costs			Revenues	Other sources of financing		Total estimated income
Funding rate (U)	Maximum EU contribution to eligible costs (l) = (U) * (h)	Requested EU contribution to eligible costs, € (Requested grant amount) (m) (n)	Income generated by the action (o)	Financial contributions (q)	Own resources (r)	(s)=(n) + (o) + (p) + (q) + (r)

Changes in cost calculation rules (1)

○ Personnel costs

- Corporate daily rate: In most cases, not critical for the budget
- Project-based remuneration

○ In-kind contributions by 3rd parties

- Direct costs only to be included
- Indirect costs calculated on top via the 25% HEU flat rate

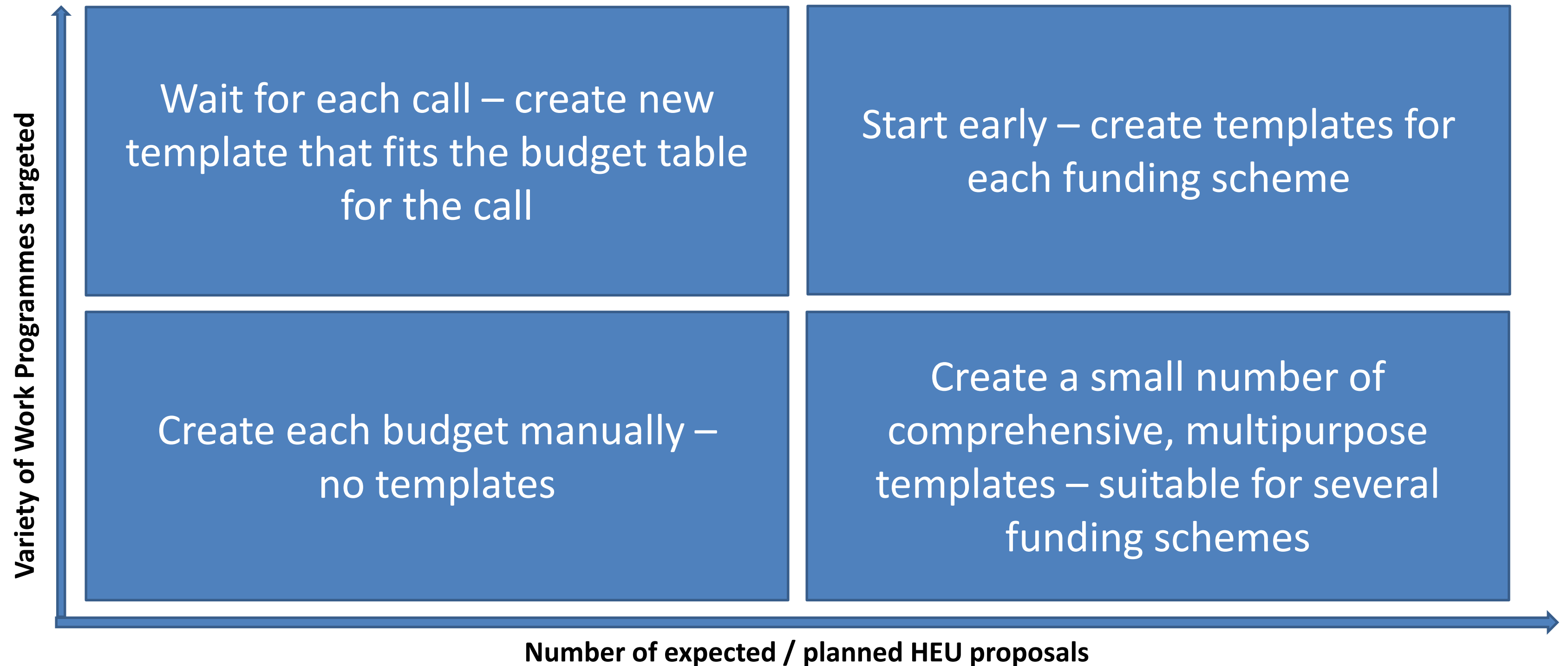
○ Internally invoiced goods and services

- May include **actual** indirect costs allocated via beneficiary's usual key drivers in the unit cost calculation
- No addition of indirect costs through the 25% HEU flat rate
- Instructions in the budget form in the EU portal for ERC StG and CoG calls 2021:
 - “Costs for host institution invoices and invoices for other entities should be included here; e.g. access to large facilities, access to other services that are charged as unit costs.”

Changes in cost calculation rules (2)

- Equipment costs
 - Default: Depreciation costs
 - Option for **assets under construction** – e.g., prototypes:
 - Full construction costs (personnel)
 - Full purchase costs (parts, materials, components, pieces of equipment)
- More on rules regarding these cost categories in other presentations during this meeting
- CFS threshold
 - Now: 430 k€, for the requested EU contribution (including indirect costs)

Strategies for development of your budgeting tools



Budgeting proposals as a Coordinator

○ Personnel costs

- Collect data regarding sub-categories within personnel costs during the proposal stage

	Actual costs	Unit costs
A.1 Employees (or equivalent)	✓	✓
A.2 Natural persons under direct contract	✓	✓
A.3 Seconded persons	✓	✓
A.4 SME owners and natural person beneficiaries	X	✓

- This will be required for the grant preparation stage*

○ The role of involved legal entities

- Beneficiary / Affiliated entity / Associated partner / 3rd party providing in-kind contribution?
- Assess budgetary implications

* Source: E-mail from EU portal to applicants for the EIC Pathfinder Open 2021 call:

"In the budget table, under "Personnel Costs" you should provide the consolidated amount for all different categories of personnel costs (i.e. Employees, Natural persons under direct contract, Seconded persons, SME owners and natural person beneficiaries).

In the case the project is selected for funding you will have to provide the data for the different personnel categories."

What seems unclear at the moment?

○ Seconded persons

➤ Will there be a requirement that they work on the premises of the beneficiary?

- Only direct costs for the 3rd party to be included
- Indirect costs calculated on top via the 25% HEU flat rate

○ Other in-kind contributions by 3rd parties

➤ Will there be a requirement that the contributions are used on the premises of the beneficiary?

- Only direct costs for the 3rd party to be included
- Indirect costs calculated on top via the 25% HEU flat rate

○ Internally invoiced goods and services

➤ Will there be requirements to document the total number of units provided within the organisation per year?

Where to look for clues and guidance?

- Annotated Model Grant Agreement
 - Not published yet
- Proposal template
- Budget table/window/web form in the EU “Funding & tender opportunities” portal
 - <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/home>
 - Look for budget tips in the online form
 - e.g., buttons/icons which may be clicked to reveal additional information
- Call specific updates from the EU in the EU portal or by e-mail
- Corporate (General) Model Grant Agreement (MGA)
- Work Programme specific Model Grant Agreement (MGA)

Questions?



Thank you for your attention!