



European Commission

Community Research

Cost Statement Guidelines

Cost Statement Guidelines for Research Training Network contracts which started in 2002

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**IMPROVING HUMAN RESEARCH POTENTIAL
AND THE SOCIO-ECONOMIC KNOWLEDGE BASE**

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The guidelines in this document complement the general conditions of the contract, notably those in Articles 2, 4 and 17 to 21 of its Annex II. This document (in Word or PDF format) is also available from: <http://www.cordis.lu/improving/networks/reporting.htm> (select For IHP Network contracts which started in 2002).

1. INTRODUCTION

This document provides guidance for the completion of periodic Cost Statements for those Research Training Network contracts which started in the year 2002 and are funded through the 5th Framework Improving Human Potential Programme.

While the initial payment under your Human Potential network contract is advanced to you automatically once the formalities associated with concluding the contract are completed, all further payments will be made only after the Commission has approved the cost statements that accompany your annual progress reports or final report.

Most delays in payment can be traced back to late submission of the Cost Statements and corresponding Annual Report and difficulties that arise when cost statements are either incomplete or incorrect. The purpose of these guidelines is therefore, first, to give you an overview of which costs you are allowed to claim and, second, to help you prepare the cost statements in such a way that the Commission can process them rapidly.

The guidelines should be read in conjunction with your contract, which, of course, is the only legal basis for the reimbursement of costs.

This document, including the Cost Statement forms contained in the annex, can be downloaded from: <http://www.cordis.lu/improving/networks/preparation.htm> (select For IHP Network contracts which started in 2002). Complementary guidelines for the preparation of the corresponding Annual and Final reports may be found at <http://www.cordis.lu/improving/networks/reporting.htm> (again select For IHP Network contracts which started in 2002).

For further help or to comment on these guidelines, please contact your responsible Commission Project Officer or send an e-mail to improving@cec.eu.int (Subject: Research Training Networks).

2. GENERAL PRINCIPLES CONCERNING COSTS

The costs that you are allowed to claim under a Human Potential network contract fall into two main categories: actual direct costs, and a contribution to overheads (indirect costs). The network is also expected to respect the structure of costs imposed by the network contract.

2.1 Actual Direct Costs

You are entitled to claim certain "additional costs" when they are actually incurred in carrying out the work described in Annex I to the contract. These costs include:

- Personnel costs of young researchers¹ appointed specifically to work on the Project;
- Costs linked to Networking, including travel and subsistence, subcontracting, consumables, computing, protection of knowledge and other specific costs (fees for international workshops, seminars and conferences, the exchange of information between Participants and the preparation of newsletters, joint publications, user fees for access to external scientific facilities, exchange of materials and reference products).

All such costs must be additional to the normal recurrent costs of your institution and must not be reimbursed by any third party by way of grant, subsidy etc.

2.2 Contribution to Indirect Costs (Overheads)

The Commission will also make a contribution to the indirect general costs of the Project. This contribution is fixed at 20% of the actual direct costs (excluding subcontracting) of the Project, i.e. up to a maximum of one-sixth of the Community overall financial contribution to the Project.

Please note that the contribution to indirect costs is for the Project as a whole. It does not need to be distributed evenly between the Participants. This would permit the co-ordinating partner (i.e. the Principal Contractor) to take a larger share of the overheads provided, of course, that all Participants agree. Note also that the 20% for overheads applies to each set of annual cost statements, as well as to the final set of cost statements.

2.3 Structure of Costs

Under the terms of the contract (Article 17 of Annex II), the network is required to spend at least 60% of the total eligible costs of the Project to support personnel costs of young researchers. This minimum of 60% does not need to be applied to each set of cost statements, but must apply cumulatively at the end of the Project. *The Participants must ensure that the training content, specified in Annex I to the contract concerning young researchers' appointment, is achieved, since this is a deliverable under the contract.*

¹ A definition of eligible young researchers is given later in section 4.1

The breakdown of the estimated eligible costs between the Participants, that is contained in the table in the contract following the contract signatures, may be considered to be indicative only. Referring to Annex II, Article 17.4 of the contract:

If the amount(s) (successively) transferred change the total eligible costs of one of the Participants by 20% or less then, subject to the agreement of the Principal Contractor, prior written approval from the Commission is not required. However, the participants concerned must sign an agreement confirming that the scope of the Project and the conditions of participation are not fundamentally altered. A copy of this agreement should be provided to the Commission, through the Principal Contractor, and also reported in the Annual Report covering the period in which such a reapportionment occurred.

If the amount(s) (successively) transferred change the total eligible costs of one of the Participants by more than 20% from that set out in the aforementioned table then prior written approval of the Commission is required.

You should note that the Commission will not reimburse costs incurred before the official project commencement date defined in Article 2 of the contract. This date is normally the first day of the month following the signature of the contract by the Commission. However, there are circumstances, such as a late completion of the Membership Agreement, under which the starting date for charging eligible costs could be delayed.

Costs should exclude any profit and VAT and be determined in accordance with accounting principles relating to historic costs and the internal rules of the Participant. A list of those costs which are non-eligible is given in Article 17.2 of Annex II to the contract.

3. SUBMISSION OF COST STATEMENTS AND PAYMENTS BY THE COMMISSION

Each 12 months following the project commencement date, a cost statement (Part E-1 (4 of 4)) is to be completed by each Participant (even if a particular Participant has incurred no expenditure in that year). The first page of Part E-1 must be signed in original by the Participant's Financial Officer as well as by the Scientist-in-Charge. In addition, the Principal Contractor has to complete an Integrated Cost Statement (Part E-2 (2 of 2)) and a Summary Cost Statement of Amounts Transferred (Part E-3). All forms from the participants are to be collected by the Principal Contractor who should check the documents for completeness.

Standard forms for Parts E-1, E-2 and E-3 are attached to these guidelines as Annex A and are also available in EXCEL format from <http://www.cordis.lu/improving/networks/preparation.htm> (under IHP networks starting in 2002). These forms - or at least their format - should always be used.

The Principal Contractor is expected to submit the full set of original forms (and one complete photocopy) to the Commission within two months following the relevant reporting period². The forms should be sent **together with two copies of the corresponding Annual Report**. The Principal Contractor is advised always to submit the forms and the Annual Reports in one

² The Annual and Final Report and all cost statements of the Participants must be sent to the Commission by the Principal Contractor within two months of the end of each reporting period.

package in order to avoid delays that can occur if the documents are received separately. The address to send these documents is given at <http://www.cordis.lu/improving/networks/reporting.htm>.

While each Participant has to express all costs both, if applicable, in national currency and in Euro, the Commission will reimburse costs in Euro's³. All payments will be made to the Principal Contractor who is expected to transfer the appropriate amounts to each Member within 30 days of receipt of the funds paid by the Commission. The Principal Contractor will inform the Commission of the amounts and the dates of transfer by means of the Part E-3 form.

The advance payment will be made within a maximum period of 60 days from the date the Commission has received a copy of the Membership Agreement duly signed by all the Participants. Normally the advance payment is 40% of the Community total financial contribution for a three-year contract and 30% for a four-year contract. Further periodic payments, at 12 month intervals, will depend on the submission and approval of progress reports and other deliverables and costs reported in the cost statements. A retention of 15% of the Community contribution will be withheld until all deliverables have been provided and approved by the Commission.

NOTE:

In an effort to avoid networks experiencing cashflow difficulties during the course of the contract, a revised method for periodic payments has recently been introduced. This requires networks to provide a financial forecast each reporting period based on the expected young researcher appointments. This is done using the Part E-1 (page 4 of 4) Cost Statement form which reflects each participants' predictions for young researcher appointments in the year to come. The co-ordinator should then summarise this information on the Part E-2 (page 2 of 2) form. The Commission's responsible Project Officer will then use the information provided in the calculation of the periodic payment to be made, up to the limit of 85% of the total contract budget.

Participants must retain supporting documents, which justify costs, for up to five years from the end of the network contract, to permit inspection by Commission services or other institutions, particularly the Court of Auditors.

4. UNDERSTANDING THE COST CATEGORIES

The model cost statement form in part E-1 contains four cost headings: personnel costs, costs linked to networking, overheads and adjustments to costs previously reported. What follows here is a brief discussion of the essential points concerning each of these four headings.

4.1 Personnel Costs *(See Article 18 of Annex II to the contract)*

The Commission finances the temporary appointment of young researchers who are appointed in the frame of the network Project. All such appointments are to be made in accordance with

³ The conversion rate to Euro for cost statements and payments should be the rate published by the Commission for budget execution and valid for the first working day of the month following the end of the period for the relevant cost statement. Information on conversion rates can be obtained from <http://europa.eu.int/comm/budget/inforeuro/en/index.htm>.

national legislation and the internal rules (including pay and conditions) of the Participant concerned. Relocation and Travel costs to Home Scientific Community every nine month period, if foreseen during the contract negotiation, should also be paid to network young researchers.

Only the following items for personnel costs are eligible:

- the actual salaries or grants paid to the young researcher,
- any social charges and pension costs related to his/her appointment,
- any registration or tuition fees specific to his/her appointment, including, if necessary, language courses,
- relocation (moving) costs of a young researcher when taking up their appointment at a Participant,
- travel costs of a young researcher (public transport costs or equivalent) for one visit to their home scientific community, per nine-monthly period of his/her appointment by a Participant. Only travel to a Member State or Associated State will be reimbursed.

For the personnel costs of a young researcher to be charged to the Project, the following conditions must all be satisfied:

Age limit. The young researcher must be aged 35 years or less at the time of his/her appointment by a Participant in the frame of the network contract. An allowance to this age limit may be made for compulsory military or civil service (the actual time spent in service) or child care (a maximum of two years per child for the actual time spent off work);

Qualification. He/she must be a holder of a doctoral degree or of a degree, obtained from a university or equivalent institution of higher education, which qualifies him/her to embark on a doctoral degree;

Nationality. He/she must be a national of a Member State of the Community or of an Associated State⁴ or have resided within the Member States for the last five years immediately prior to his/her appointment by a Participant in the frame of this contract;

International Mobility. He/she must not be a national of the state in which the Participant's research team appointing him/her is located and he/she must not have carried out his/her normal activities in that state for more than 12 of the 24 months prior to his/her appointment. For non-EU Member or Associated State nationals, they must not have resided in the country in which their host institute is situated for more than two years in the last five years immediately prior to appointment;

Timing. His/her appointment must be temporary and for a fixed-term starting on or after the project commencement date;

Content of Work. He/she must be appointed specifically either to carry out research associated with the Project or to assist the Principal Contractor in the scientific co-ordination of the Project.

⁴

Associated States are at present (December 2002) Iceland, Liechtenstein, Norway, Israel, Bulgaria, the Republic of Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia and Switzerland. For latest information please consult www.cordis.lu/fp5/src/3rdcountries.htm.

The appointment of young researchers does not require the prior approval of the Commission. However, **each Participant must respect the above mentioned eligibility criteria** when appointing a young researcher.

Personnel costs are to exclude the costs of all other persons employed by or working in the research teams of the Participants. In particular, the personnel costs of general administrative, clerical and secretarial staff as well as technical support staff can not be financed.

4.2 Costs linked to Networking (See Article 19 of Annex II to the contract)

The cost categories summarised under this heading may be charged to the Project only to the extent that they relate to the networking and the young researchers associated with the Project. They comprise:

(1) Travel and subsistence costs

Costs for the following activities can be reimbursed under this category:

- mobility of those research staff and technical support staff, working on the Project in the Participants' teams concerning :
 - meetings with other Participants in the Project,
 - secondments between the Participants of young researchers,
 - secondments between the Participants of more experienced researchers and technical support staff not exceeding three months,
 - representation of the Project at international workshops, seminars and conferences;
- interviewing prospective young researchers for an appointment by a Participant;
- inviting young researchers who are or had previously been appointed by a Participant and who are requested to take part in the Mid-Term Review Meeting of the contract;
- inviting external experts participating in a network meeting, seminar or workshop of the Participants.

Travel and subsistence shall be charged to the contract in accordance with the normal internal rules and procedures of the Participant concerned. Travel and subsistence costs may not be charged for mobility within a single state, unless the mobility concerns a young researcher or a meeting of the Project at which all Participants are to be represented.

The prior agreement of the Commission shall be required (see Annex B) for any travel outside (to or from) the territory of the Member States and the Associated States or a third country where a Participant is established. The only exception will be made for travel which was specified in Annex I as being necessary for the execution of the Project and which is in line with allowable travel as defined in Article 19.1. The approval of the Commission shall be deemed as given in the absence of observations within one month of receipt of the written request made by the Principal Contractor.

(2) Subcontracting

A subcontract means a contractual arrangement between a Participant and a third party to pay in full for that third party to carry out work on the Project. Unless the subcontract has been specified in the Annex I to the contract, the prior approval of the Commission is required:

- a) for any subcontract where the subcontractor is established in a third country, unless a Participant is established there.
- b) when all the subcontracts placed by a Participant cumulatively exceed 20% of its estimated eligible costs or 50,000 Euro, whichever amount is the lower.

The Participants have to ensure that subcontracts include an obligation for the subcontractor to submit invoices making reference to the project and giving details of the service or supply concerned and that the subcontractor submits to audits by the Commission. No subcontract may be concluded for the performance of co-ordination tasks pursuant to this contract.

NOTE: Copies of the subcontractor's invoices are to be certified by the Participant concerned and to be attached to the cost statements.

(3) Consumables

Those costs relating to consumables necessary for the execution of the Project can be charged to the contract. However, the costs of day-to-day telephone and postal services as well as the costs for routine and minor usage of computing and consumables are not eligible, as they are deemed to be included in the contribution to indirect costs (overheads).

(4) Computing

Computing costs include the costs resulting from the use of computer services and media at the disposal of Participants. They must be substantiated in accordance with the rules applicable to the Participants.

(5) Protection of knowledge

The costs of the protection of knowledge generated in the framework of the Project shall comprise the actual costs necessary for adequate and effective protection for such knowledge, taking into account the interests of the Community. They shall be eligible only in so far as the Commission has given its prior written approval to the contractors and in so far as the competition rules, in particular those under the Community framework for State aid to research and development, are complied with.

They comprise:

- the costs of documentary research preliminary to the filing of an application for the granting of an industrial property right,
- the fees paid to the competent authorities that are necessary with a view to the granting of an industrial property right or its territorial extension, provided that prior documentary research, as referred to in the first indent, has been carried out,

and

- the fees paid to the competent authorities to extend the duration of the industrial property right.

The costs of protection of knowledge and measures to demonstrate the potential for use of knowledge exclude also the costs of creating and marketing a product or process and the costs of creating and providing a service.

The European Community's Intellectual Property Rights (IPR) Helpdesk (<http://www.ipr-helpdesk.org/>) is available to help any participants or networks who require further advice on this matter. This free service is tailored specifically to the needs of contractors in Community supported projects and the multilingual team of experts are available to answer specific questions on a broad range of Europe-wide IPR issues.

(6) Durable equipment

Costs relating to the purchase or leasing with option to buy of durable equipment may be charged to the contract with the prior approval of the Commission, but only if it is used to equip a Participants' research team situated in a *Less-Favoured Region*⁵ of the Community in which a researcher, who has been trained abroad for a minimum duration of one year at post-doctoral level, is appointed to an established position in that legal entity and will be active in the project.

The eligible costs for durable equipment leased with option to buy shall not exceed the costs that would have been incurred if the equipment had been purchased, taking account of the formula below.

The costs to be charged to the contract shall be calculated according to the following formula:

$$A/B \times C \times D$$

- A = the period in months during which the durable equipment is used for the Project after invoicing,
- B = the depreciation period for the durable equipment: 36 months for computer equipment costing less than 25 000 Euro or 60 months for other equipment,
- C = the actual cost of the durable equipment,
- D = the percentage of usage of the durable equipment for the Project.

The durable equipment may have been purchased or leased with option to buy:

- within the six months preceding the project commencement date,
- for a previous contract concluded with the Community, provided that the depreciation period has not been exceeded. Only the costs relating to the non-expired depreciation period may be charged.

(7) Other Specific Costs

- International workshop, seminar and conference fees for research staff of the Participants when representing the Project at such events.

⁵

The list of Less-Favoured Regions is given in the Guide for Proposers for Research Training Networks and also from <http://www.cordis.lu/improving/fellowships/lessfavouredregions.htm>.

- Costs of exchanging information between the Participants, including the costs of information transfer systems and the costs of newsletters.
- Costs of joint publications, aimed at disseminating the collective results of the setting up and maintaining a site on the Internet, the access to electronic-based project (the costs of publishing the results of an individual Participant will not be supported).
- User fees for the access to external scientific research facilities.
- Costs of exchanging materials and reference products between the Participants.

4.3 Indirect Costs (Overheads)

A flat-rate amount of 20% of the direct costs (Personnel Costs and Costs linked to Networking but **excluding sub-contracting costs**), may be charged as overheads for the work carried out under the Project. Such overheads are intended to include *inter alia* the costs of non-specialist personnel, administrative personnel and secretarial personnel not charged as direct costs pursuant to Article 18 of this Annex, as well as the depreciation of buildings and equipment, water, electricity, telecommunications and postal charges, and office supplies.

4.4 Adjustments to Costs Previously Reported

Normally, there is nothing to be entered against this cost heading. Only in the case that costs claims of previous periods have to be modified should this heading be used. Justification for such adjustments should be provided with the relevant Cost Statement.

Annex A

FORMS FOR COST STATEMENTS

The following forms are also to be found in part E of Annex II to the Human Potential network contract, with the addition of new forms in order to provide a prediction of costs for the next reporting period. The forms in part E-1 are to be completed by each Participant, while the forms in Part E-2 and Part E-3 are to be completed by the Principal Contractor.

PART E-1

Cost Statement Summary (*in national currency and Euro*)

The Cost Statement summarises the overall costs of each Participant during the reporting period.

Cost Statement: Details by Category (*in national currency only*)

This supplementary statement provides more detailed information on the actual direct costs that have been charged to the contract by each Participant.

For all young researchers whose personnel costs are charged to the contract, the table for personnel costs has to be completed only for those costs incurred during the reporting period.

Costs, e.g. young researchers' monthly costs, should be broadly in line with the predictions provided in Contract Preparation Forms, completed during contract negotiations. Any significant differences should be explained in the corresponding Annual Report.

Financial Forecast for the Next Period (*per Network Member*)

Information on the expected appointments of young researchers in the next reporting period should be given here, using the given index to indicate the likely status of appointments.

PART E-2

Integrated Cost Statement (*in Euro only*)

The Principal Contractor should draw up the Summary Cost Statement, which is important in order to monitor the overall distribution of the Project costs among the different cost categories. For each set of annual cost statements, the Principal Contractor must ensure that not more than 20% of the actual direct costs of the Project as a whole are being claimed on overheads. Finally, at the end of the Project, the Principal Contractor must ensure that at least 60% of the total financial contribution of the Community has been spent on Personnel Costs. The Commission will not accept cost statements falling outside these limits.

Summary of Financial Forecast for the next period

This summarizes the information given on forms Part E-1 (4 of 4) and is to be completed by the co-ordinator and signed also by the authorised Financial Officer of the Principal Contractor.

PART E-3

Summary Statement of amounts transferred by the principal contractor (*in Euro only*)

The Principal Contractor will submit this statement to inform the Commission of the amounts and the date of transfer of the funds to the other network participants.

(You will find pages 14 to 19 in the EXCEL Table at <http://www.cordis.lu/improving/networks/preparation.htm> (select For IHP Network contracts which started in 2002) and named **Forms - Annex A**)

Annex B

**REPRESENTATION OF THE PROJECT AT INTERNATIONAL
WORKSHOPS, SEMINARS AND CONFERENCES AND INVITATION
OF EXTERNAL EXPERTS FROM
OUTSIDE THE COMMUNITY AND ASSOCIATED STATES**

1. Guidelines
2. Form for requesting the Commission's approval.

1. PARTICIPATION IN INTERNATIONAL CONFERENCES, WORKSHOPS, ETC. AND INVITATION OF EXTERNAL EXPERTS FROM OUTSIDE THE COMMUNITY AND ASSOCIATED STATES

The purpose of this note is to give guidelines to the Network Co-ordinator in planning the representation of the network Project at international conferences, seminars or workshops where the prior approval of the Commission is required. Prior approval is required in the case of events which take place outside the territory of the Member States and Associated States or a third country where a participant is established, unless provided for in Annex I to the contract.

The Commission will agree to provide financial support for the network only when it involves the participation in a conference or similar event at a leading international level.

Prior approval is also required in the case of inviting an External Expert from outside the territory of the Member States and Associated States or a third country where a participant is established, unless provided for in Annex I to the contract, in order to attend a network meeting, workshop or seminar. In such a case, the same form may be used completing it as much as possible. It is also recommended to send a cover letter providing further details of the External Experts participation in such a network event.

All requests must come via the Network Co-ordinator who is expected to group together requests for each individual event. Requests sent directly to the Commission from individual Participants will not be considered.

Requests must be accompanied by an estimate of the travel and subsistence costs (see attached form). These should be kept within reasonable limits using wherever possible low-cost fares. If low-cost fares are not used, the Commission may grant only partial support for travel costs. When authorising a request, the Commission will always indicate a ceiling for the amount that can be charged against the contract.

(1) Requests that Will Normally be Accepted Automatically.

All requests involving up to three persons will normally be accepted, providing (a) that all play an active role in the event (paper, poster, chairmanship, etc.), (b) that all are there to represent the network as a whole, and (c) that all acknowledge the support of the European Community's Human Potential Programme in their presentations.

If none of the persons attending an event is playing an active role, then a maximum of one person will automatically be accepted for charging to the network contract, provided that they are representing and reporting back to the network as a whole.

(2) Requests that May be Accepted in Exceptional Circumstances.

Experience demonstrates that there will always be some requests that, in view of their specific characteristics, will merit a more flexible approach. Within this category, there are two clear cases, where approval may be given:

- Requests that involve more than three participants, all of whom will play an active role in the event (on condition that they represent the network as a whole, and that each acknowledges the support of the European Community's Human Potential Programme in their presentation).
- When the network takes advantage of the event to organise a formal network meeting at an overall cost comparable to holding such a meeting in the Community.

(3) Requests that will be Systematically Rejected.

The following classes of request will be systematically rejected:

- Requests for two or more persons where no-one will play an active role in the event.
- Requests for persons who will represent only their own team involved in the network, and not the network as a whole.
- Requests for missions that do not involve participation in a leading international event.
- Mobility costs for persons not working in the teams of the network, unless it is to invite an External Expert.

