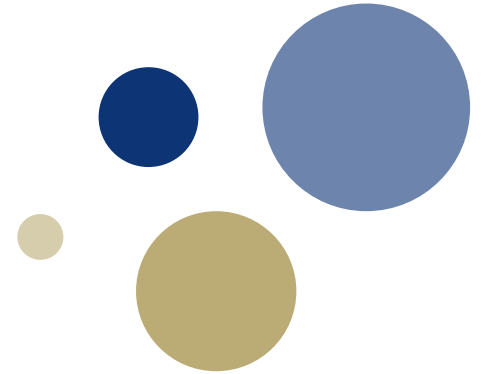




NTNU – Trondheim
Norwegian University of
Science and Technology



Budgeting projects: General principles and practical Horizon Europe pointers

V4+WB Network of Research Managers and Administrators (RMAs)
Final conference, 30.03.2022

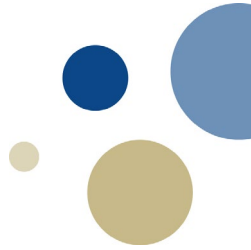
Per Inge Andresen
Team leader and senior adviser
Norwegian University of Science and Technology – NTNU

Outline of presentation



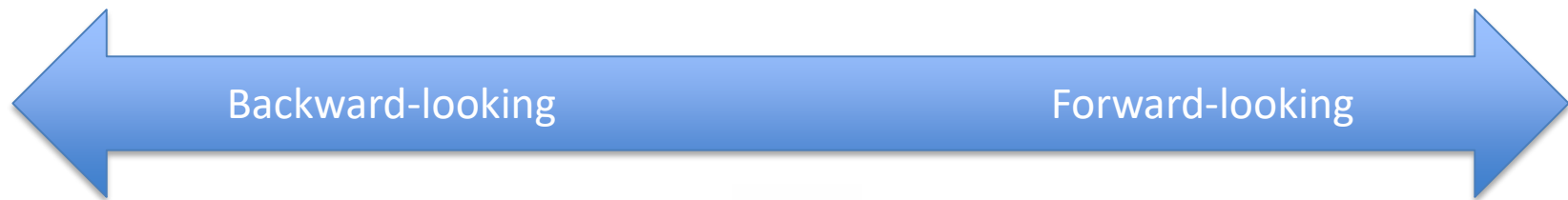
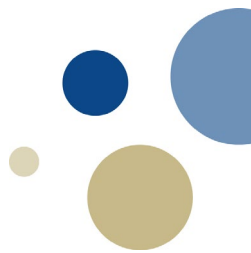
- Basic principles of budgeting
- Approaches to budgeting
- Budgeting for projects
- Research and innovation projects
- Budgeting for Horizon Europe (HE) projects
- Budgeting HE proposals as a Coordinator

Basic principles of budgeting



- Identify relevant resources
- Estimate costs per unit of resource
- Estimate quantity of resources
- Estimate total costs
- Estimate funding availability
 - External sources
 - Internal / own sources

Approaches to budgeting (1)



Historical costs

Accounts

Previous budgets

- Last year's budget
- Budget for previous project proposal

Plans for the future

Estimates of future costs

New budgets from scratch

- Next year's budget
- Budget for new project proposal

Approaches to budgeting (2)



Funding-based planning

What / how much can we do with this amount of funding?

Funding

Costs

Activities

Results

Activity-based budgeting

What / how much would this cost?

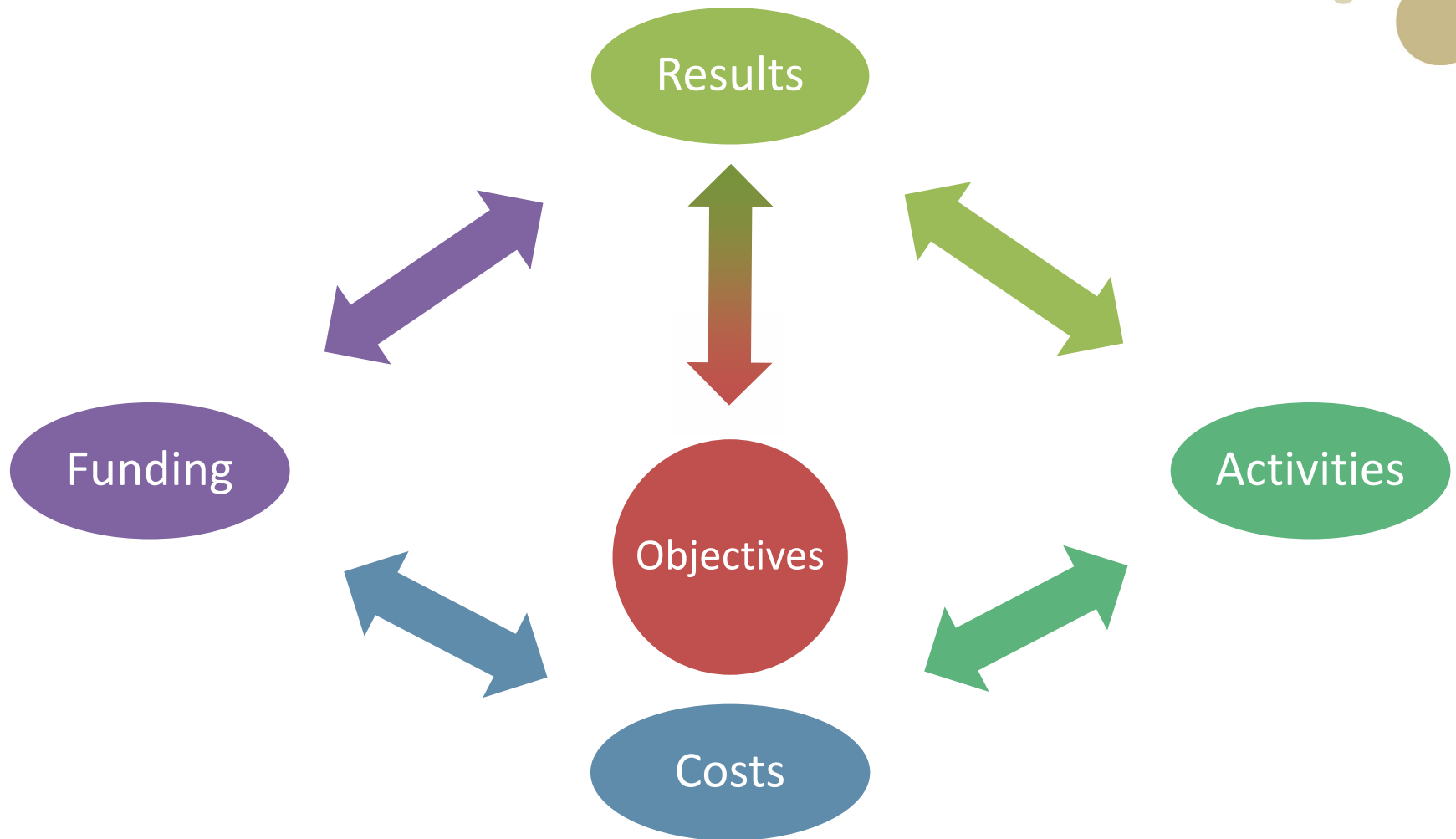
Objectives

Results

Activities

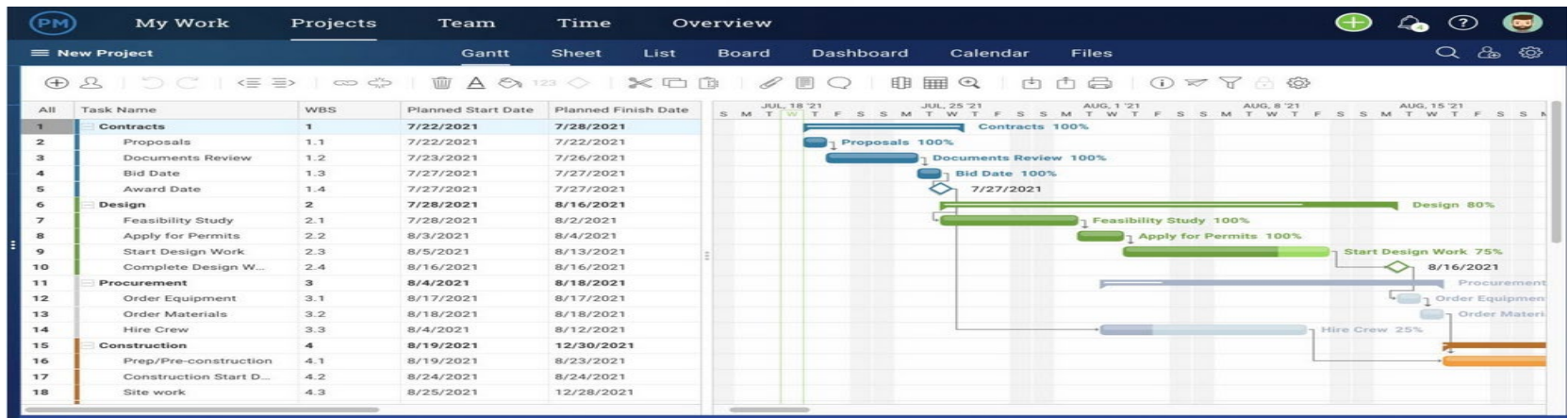
Costs

Combined approach to budgeting



Budgeting for projects

- What is unique about projects?
 - Predefined start date and end date
 - Project life-cycle
 - Work packages (WPs)
 - Activities (general) = Tasks (projects)
 - Results (general) = Deliverables (projects)
 - Dependencies
 - Delays or failures affect other parts of the project
- Budgeting must be consistent with project tasks and the resources that will be required to complete the tasks



2022 ProjectManager.com, Inc

Research and innovation projects

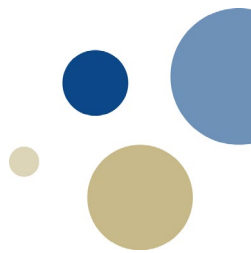
- Varying degrees of flexibility
- Deliverables:



- Use of resources, costs:



Budgeting for Horizon Europe (HE) projects



- Use available sources of information, guidance, rules
- Understand what basic funding principle applies in your case
 - a) Reimbursement of actual, eligible costs?
 - b) Unit costs?
 - c) Lump sum?
- 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
- Understand the exact EU budget table applicable for your proposal / project

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

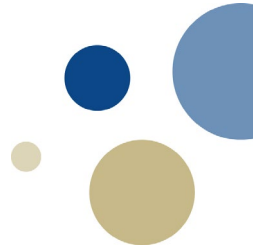
- Changes in terminology
 - Understand the new “language”
- New and “missing” cost categories in the budget
 - Understand where different kinds of costs fit
- Changes in cost calculation rules
 - Know how to calculate the costs correctly

“X” costs -> ? costs

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

$Y = a \cdot x + b$?

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

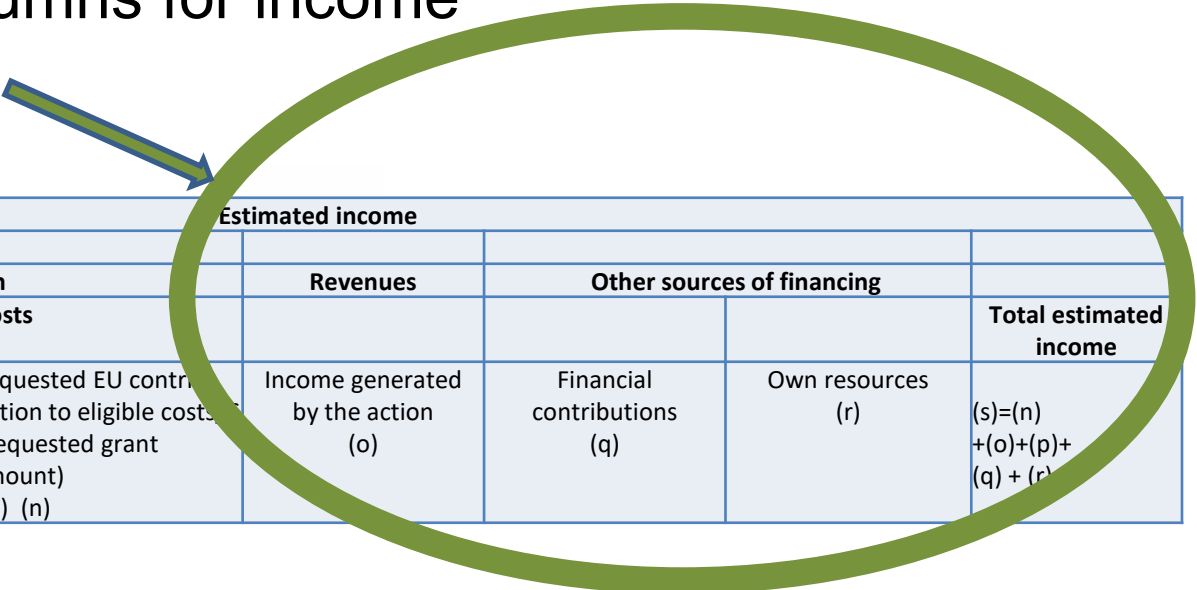
H2020	Horizon Europe	Relevance of change
Other direct costs	Purchase costs	Name change
Other goods and services	Other goods, works and services	Name change
In-kind contributions by 3 rd parties	In-kind contributions by 3rd parties provided <u>free of charge</u>	In-kind contributions does <u>not</u> apply 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



Estimated income						
Requested EU contribution 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
 - More on this below
- 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)

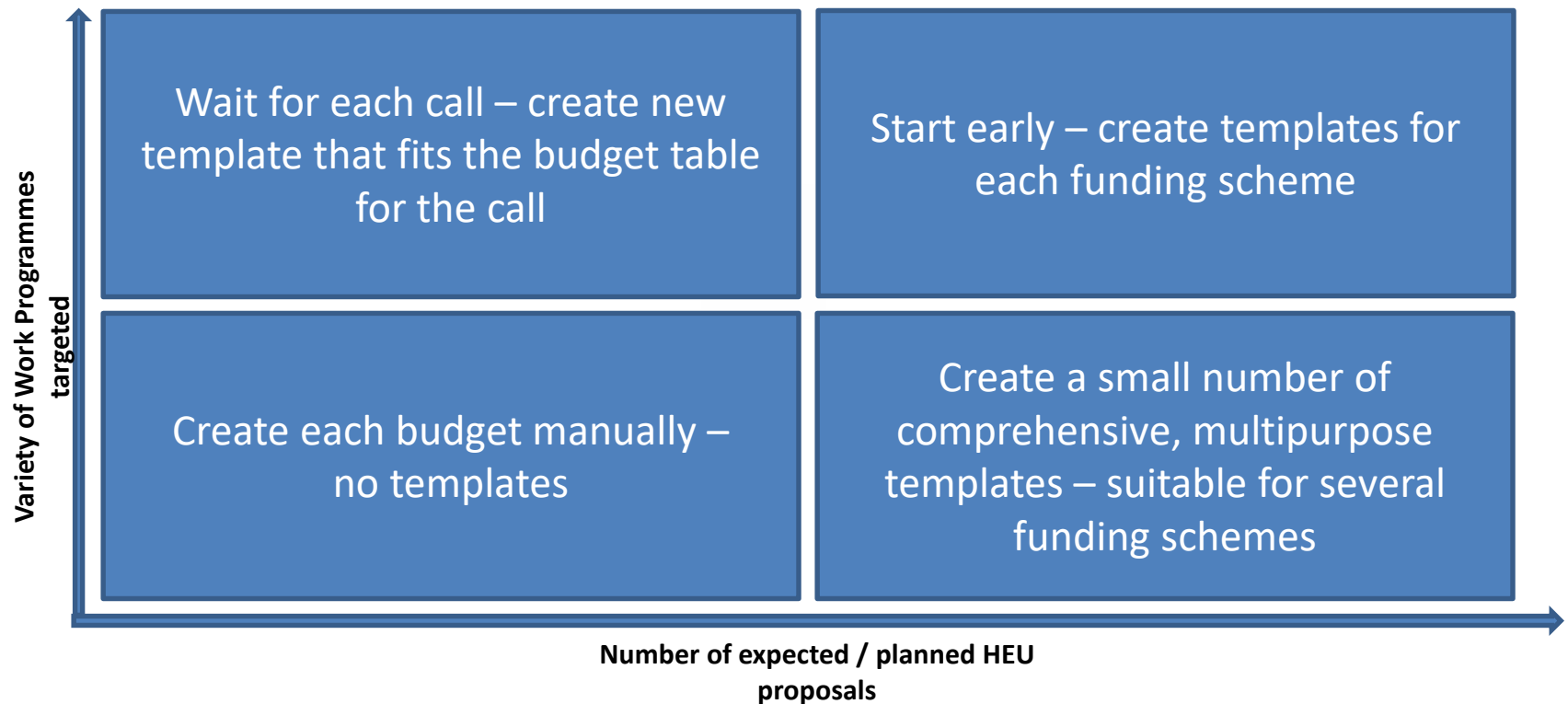
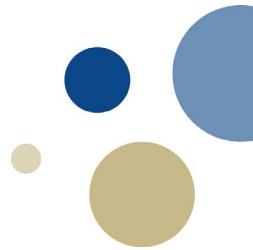
Which changes from H2020 to Horizon Europe (HE) are important for budgeting personnel costs?

- Corporate daily rate
 - In most cases, not significant for the budget
 - Normally, **person months** is the unit of measurement when planning effort for proposals
 - Estimates of costs per person month are not significantly affected by the switch from hourly to daily rates for reporting
- Project-based remuneration
 - Pay attention to HEU rules and ceiling
 - Usual remuneration practices of a legal entity under which personnel receives supplementary payments for work in projects
 - Actual remuneration costs paid for the time worked by the personnel for the project ('action daily rate') up to the remuneration that the person would be paid for work in R&I projects funded by national schemes ('national projects daily rate')

Calculating personnel costs in proposals as a beneficiary

- Assess whether your organisation qualifies for and will use:
 - Actual costs?
 - Unit costs?
- Determine whether your organisation will use any of the following personnel categories in the project
 - Natural persons under direct contract
 - Seconded persons
- If your organisation is an SME
 - Project work done by SME owners not receiving a salary may be reimbursed based on unit costs for SME owners
 - If other personnel is involved, choose personnel cost category according to the rules
- Use a consistent methodology to include a realistic estimate of salary increases
- If your organisation is based in a non-EUR country:
 - Use a realistic exchange rate estimate for the project implementation period

Strategies for development of your budgeting tools



Budgeting HE proposals as a Coordinator

- Personnel costs

- Collect estimates of direct personnel costs per person month from beneficiaries
- 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	✗	✓

- This will be required for the grant preparation stage
- Seconded persons = Contributions by 3rd party against payment
- Verify respective national unit costs for SME owners not receiving a salary from the SME
- SMEs may have personnel costs as unit costs for SME owners in combination with any of the other categories

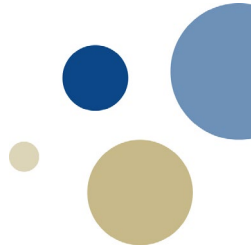
- The role of involved legal entities

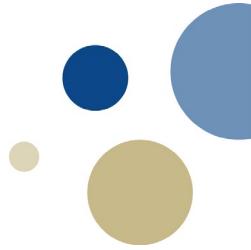
- Beneficiary / Affiliated entity / Associated partner / 3rd party providing in-kind contribution?
- Assess budgetary implications

Where to look for guidance

- Annotated Model Grant Agreement
 - Current version:
 - Pre-draft (HE) , v. 0.2, incl. update for all programmes, published 30 November 2021
 - https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/common/guidance/aga_en.pdf
- Corporate (General) Model Grant Agreement (MGA)
 - Current version: v. 1.1, published 15 December 2021
 - https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/common/agr-contr/general-mga_horizon-euratom_en.pdf
- Funding scheme specific Model Grant Agreements (MGAs)
 - See <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/how-to-participate/reference-documents;programCode=HORIZON>
- EU Online Manual (2021 – 2027 EU programme period)
 - <https://webgate.ec.europa.eu/funding-tenders-opportunities/display/OM/Online+Manual>
- Proposal template
- Call specific updates from the EU in the EU portal or by e-mail

Questions?





Thank you for your attention!

Per Inge Andresen
Team leader and senior adviser
Norwegian University of Science and Technology – NTNU
per.andresen@ntnu.no