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Guidance on Cost Category Descriptions

The following provides a brief guidance on the cost categories and how these should be used for budgeting.
 All partners must familiarise themselves with the HE MGA to ensure their costs are being budgeted and incurred inline with HE MGA eligibility requirements.
 The relevant page references have been included for your reference against each cost type.

HE MGA: <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/how-to-participate/reference-documents;programCode=HORIZON>

Cost Category Descriptions: Short examples have been provided.

ALL COSTS MUST BE ACTUALLY INCURRED (paid) BEFORE REPORTING

Please ensure your cost category descriptions adequately and fully explain the total budget in each cost category, descriptions should provide enough detail to allow a third party (i.e. EIT or EIT Climate-KIC) to review and understand how the budget is made up. Inadequate cost category explanations may be rejected.

Cost Category	Cost Category Explanation - Please review H2020 Annotated Model Grant Agreement for more comprehensive details	Example Cost Category Explanations	MGA Page number
A Personnel (€)	<p>There are three types of personnel costs that may be budgeted here.</p> <p>A.1 - Costs for employees (or equivalent) are eligible as personnel costs if they fulfil the general eligibility conditions and are related to personnel working for the beneficiary under an employment contract (or equivalent appointing act) and assigned to the action.</p> <p>A.2 and A.3 - Costs for natural persons working under a direct contract other than an employment contract and costs for seconded persons by a third party against payment are also eligible as personnel costs, if they are assigned to the action, fulfil the general eligibility conditions. Please check conditions in HE MGA.</p> <p>A.4 The work of SME owners for the action (i.e. owners of beneficiaries that are small and medium-sized enterprises not receiving a salary) or natural person beneficiaries (i.e. beneficiaries that are natural persons not receiving a salary) may be declared as personnel costs, if they fulfil the general eligibility conditions and are calculated as unit costs in accordance with the method set out in Annex 2a.</p> <p>They must be limited to salaries (including net payments during parental leave), social security contributions, taxes and other costs linked to the remuneration, if they arise from national law or the employment contract (or equivalent appointing act) and be calculated on the basis of the costs actually incurred, in accordance with the following method: {daily rate for the person multiplied by number of day-equivalents worked on the action (rounded up or down to the nearest half-day)}. The daily rate must be calculated as: {annual personnel costs for the person divided by 215}. The number of day-equivalents declared for a person must be identifiable and verifiable (see Article 20).</p> <p>Days worked:</p> <ul style="list-style-type: none"> - Use reliable time records either on paper or in a computer-based time recording system. - sign a monthly declaration on days spent for the action (template under development). 	<p>WHAT: Estimated FTE and job descriptions of Personnel working on the KAVA. For GDPR reasons personnel should not be directly named.</p> <p>e.g. 1 FTE Analyst for duration of project, 0.2 FTE Manager for duration of project</p>	<p>24-26</p>
A1ai Personnel seconded by a third party against payment - working on the premises of KIC Partner (€)	<p>This cost category is specifically for personnel under a secondment agreement which is paid for by the partner, and where that person is working on the premises of the partner.</p> <p>Costs should be actual, and calculated in the same way as other staff costs are budgeted, e.g. e.g. daily rate multiplied by anticipated days to be spent on action.</p>	<p>WHAT: Estimated FTE and job descriptions/job title of Personnel working on the KAVA. Named third party providing from which the personnel is provided.</p> <p>e.g. Named Third Party to provide seconded personnel - Data Analyst for 0.5 FTE in order to review research results from WP3, at approximate cost of €40,000.</p>	
A1aii Personnel seconded by a third party against payment - NOT working on the premises of KIC Partner (€)	<p>This cost category is specifically for personnel under a secondment agreement which is paid for by the partner, but where that person is not working on the premises of the partner</p> <p>Costs should be actual, and calculated in the same way as other staff costs are budgeted, e.g. e.g. daily rate multiplied by anticipated days to be spent on action.</p>	<p>WHAT: Estimated FTE and job descriptions/job title of Personnel working on the KAVA. Named third party providing from which the personnel is provided.</p> <p>e.g. Named Third Party to provide seconded personnel - Data Analyst for 0.5 FTE in order to review research results from WP3, at approximate cost of €40,000.</p>	
A1bi Personnel seconded by a third party free of charge - working on the premises of KIC Partner (€)	<p>This cost category is specifically for personnel under a secondment agreement which provided free of charge by a third party, i.e. is not paid for by the partner but is instead is an in-kind contribution. Additionally the personnel concerned will be working directly on the premises of the partner.</p> <p>Actual costs must reflect the actual costs incurred by the third party providing the personnel (and evidenced in their accounts) Costs should be calculated in the same way as other staff costs are budgeted, e.g. e.g. daily rate multiplied by anticipated days to be spent on action.</p>	<p>WHAT: Estimated FTE and job descriptions/job title of Personnel working on the KAVA. Named third party providing from which the personnel is provided.</p> <p>e.g. Named Third Party to provide personnel as in-kind contribution free of charge - Data Analyst for 0.5 FTE in order to review research results from WP3, at approximate cost of €40,000.</p>	
A1bii Personnel seconded by a third party free of charge - NOT working on the premises of KIC Partner (€)	<p>This cost category is specifically for personnel under a secondment agreement which provided free of charge by a third party, i.e. is not paid for by the partner but is instead is an in-kind contribution. Additionally the personnel concerned will not working on the premises of the partner but continue to work at third party premises or elsewhere.</p> <p>Actual costs must reflect the actual costs incurred by the third party providing the personnel (and evidenced in their accounts) Costs should be calculated in the same way as other staff costs are budgeted, e.g. e.g. daily rate multiplied by anticipated days to be spent on action.</p>	<p>WHAT: Estimated FTE and job descriptions/job title of Personnel working on the KAVA. Named third party providing from which the personnel is provided.</p> <p>e.g. Named Third Party to provide personnel as in-kind contribution free of charge - Data Analyst for 0.5 FTE in order to review research results from WP3, at approximate cost of €40,000.</p>	



B. Subcontracting	<p>Subcontracting costs for the action (including related duties, taxes and charges, such as non-deductible or non-refundable value added tax (VAT)) are eligible, if they are calculated on the basis of the costs actually incurred, fulfil the general eligibility conditions and are awarded using the beneficiary's usual purchasing practices —provided these ensure subcontracts with best value for money (or if appropriate the lowest price) and that there is no conflict of interests (see Article 12).</p> <p>The tasks to be subcontracted and the estimated cost for each subcontract must be set out in Annex 1 and the total estimated costs of subcontracting per beneficiary must be set out in Annex 2 (or may be approved ex post in the periodic report, if the use of subcontracting does not entail changes to the Agreement which would call into question the decision awarding the grant or breach the principle of equal treatment of applicants; 'simplified approval procedure').</p> <p>This cost will not be taken into account for the indirect cost flat-rate.</p>	<p>WHAT: Estimated cost for each subcontract, and description of anticipated service to be provided. The subcontractor should not be named in the BP, the assumption is that the services should be procured for, and therefore 3rd party would not necessarily be known at this stage.</p> <p>e.g.</p> <ul style="list-style-type: none"> •20,000 EUR subcontract (10000 per subcontract) remuneration for 2 x coaches to support students in the programme; •40,000 EUR subcontract to provide data analysis of our portfolio, drawing together our historic data and matching it with information from our new set of experiments. The subcontractor will also create visuals to enable our community and wider audience to engage with the data. 	
C. Purchase costs	<p>Purchase costs for the action (including related duties, taxes and charges, such as non-deductible or non-refundable value added tax (VAT)) are eligible if they fulfil the general eligibility conditions and are bought using the beneficiary's usual purchasing practices—provided these ensure purchases with best value for money (or if appropriate the lowest price) and that there is no conflict of interests.</p> <p>Beneficiaries that are 'contracting authorities/entities' within the meaning of the EU Directives on public procurement must also comply with the applicable national law on public procurement.</p>		
C1 Travel & subsistence*	<p>Purchases for travel, accommodation and subsistence must be calculated as follows:</p> <ul style="list-style-type: none"> -travel: on the basis of the <u>costs actually incurred</u> and in line with the beneficiary's usual practices on travel. -accommodation: on the basis of the <u>costs actually incurred</u> and in line with the beneficiary's usual practices on travel. -subsistence: on the basis of the <u>costs actually incurred</u> and in line with the beneficiary's usual practices on travel. 	<p>WHAT: Estimated number of travels and a short description of the purpose</p> <p>e.g. Travel for project lead the following meetings: Project plenary meeting / Project stakeholder workshops x 2. Assumed cost of 700 EUR per trip</p>	
C.2 Equipment	<p>[OPTION 1 by default (depreciation only): Purchases of equipment, infrastructure or other assets used for the action must be declared as depreciation costs, calculated on the basis of the costs actually incurred and written off in accordance with international accounting standards and the beneficiary's usual accounting practices.</p> <p>Only the portion of the costs that corresponds to the rate of actual use for the action during the action duration can be taken into account.</p> <p>Costs for renting or leasing equipment, infrastructure or other assets are also eligible, if they do not exceed the depreciation costs of similar equipment, infrastructure or assets and do not include any financing fees.</p> <p>HE MGA shows 5 different options.</p>	<p>WHAT: Description of each equipment item, including how it is relevant to the project and noting any apportionment, including useage or depreciation</p> <p>e.g.</p> <ul style="list-style-type: none"> • 5,000 EUR full purchase cost of server purchased for data processing in order to carry out WP3 of project, processing large volumes of data. • 10,000 EUR depreciation amount of greenhouse equipment (total value EUR 500,000 over useful life of 10 years), apportioned to project use (20%), in order to test soils as detailed in WP5. 	27-30
C.3 Other goods, works and services	<p>Purchases of other goods, works and services must be calculated on the basis of the costs actually incurred.</p> <p>Such goods, works and services include, for instance, consumables and supplies, promotion, dissemination, protection of results, translations, publications, certificates and financial guarantees, if required under the Agreement.</p>	<p>WHAT: Description of each item, including how it is relevant to the project and noting any apportionment.</p> <p>e.g.</p> <ul style="list-style-type: none"> • 1500 EUR publications in National Newspaper for 3 months. • 2500 EUR promotional material for webinar 	30

D. Other cost categories			
D.1 Financial support to third parties	<p>Costs for providing financial support to third parties (in the form of grants, prizes or similar forms of support; if any) are eligible, if and as declared eligible in the call conditions, if they fulfil the general eligibility conditions, are calculated on the basis of the costs actually incurred and the support is implemented in accordance with the conditions set out in Annex 1.</p> <p>These conditions must ensure objective and transparent selection procedures and include at least the following:</p> <p>(a) for grants (or similar):</p> <ul style="list-style-type: none"> (i) the maximum amount of financial support for each third party ('recipient'); this amount may not exceed the amount set out in the Data Sheet (see Point 3) or otherwise agreed with the granting authority (ii) the criteria for calculating the exact amount of the financial support (iii) the different types of activity that qualify for financial support, on the basis of a closed list (iv) the persons or categories of persons that will be supported and (v) the criteria and procedures for giving financial support <p>(b) for prizes (or similar):</p> <ul style="list-style-type: none"> (i) the eligibility and award criteria (ii) the amount of the prize and (iii) the payment arrangements. <p>This cost will not be taken into account for the indirect cost flat-rate.</p>	<p>WHAT: maximum amount of financial support for each third party, criteria for calculating the amount, types of activities that qualify for financial support, persons or categories of persons that may receive financial support and criteria for giving financial support.</p> <p><i>e.g. 150 000 EUR Grants for project programme, comprising of stages 1,2 and 3 grants. An open call is held for stage 1, with subsequent entry to stages being evaluated on the basis of performance in earlier stages. Successful applicants are awarded up to: 5 000 EUR for stage 1, 20 000 EUR for stage 2, 50 000 EUR for stage 3. These grants are intended to aid and further develop the start-ups business - specific conditions and purpose of these grants will be detailed in the award letters to start-ups and will be tailored to the specific award, but may include personnel, travel, depreciation, consumable or services relevant to developing the business. The calls for the programme applications is synchronised happens twice per calendar year. Payments will be made on a lump sum basis, for the purposes set out in the award letter, based on performance and proof of activities submitted by the grantee.</i></p>	30-31
D.2 Internally invoiced goods and services	<p>Costs for internally invoiced goods and services directly used for the action may be declared as unit cost according to usual cost accounting practices, if and as declared eligible in the call conditions, if they fulfil the general eligibility conditions for such unit costs and the amount per unit is calculated:</p> <ul style="list-style-type: none"> - using the actual costs for the good or service recorded in the beneficiary's accounts, attributed either by direct measurement or on the basis of cost drivers, and excluding any cost which are ineligible or already included in other budget categories; the actual costs may be adjusted on the basis of budgeted or estimated elements, if they are relevant for calculating the costs, reasonable and correspond to objective and verifiable information and - according to usual cost accounting practices which are applied in a consistent manner, based on objective criteria, regardless of the source of funding. <p>This cost will not be taken into account for the indirect cost flat-rate (but instead possibility to accept actual indirect costs allocated via key drivers in the unit cost calculation).</p> <p>HE MGA shows different options.</p>	<p>WHAT: Goods or services which are provided within the beneficiary's organisation directly for the action and which the beneficiary values on the basis of its usual cost accounting practices.</p> <p><i>e.g.</i></p> <ul style="list-style-type: none"> - self produced consumables (e.g. electronic wafers, chemicals) - specialised premises for hosting the research specimens used for the action (e.g. animal house, greenhouse, aquarium) - standardised testing or research processes (e.g. genomic test, mass spectrometry analysis) - use of specific research devices or research facilities (e.g. cleanroom, wind tunnel, supercomputer facilities, electronic microscope) 	31-34
E. Indirect costs	<p>Indirect costs will be reimbursed at the flat-rate of 25% of the eligible direct costs (categories A-D, except volunteers costs, subcontracting costs, financial support to third parties and exempted specific cost categories, if any).</p>	As this is a flat rate calculation no cost explanation is required	34

