Horizon Europe Condensed
The Legal and Financial Basics

Contents

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This UKRO factsheet offers an overview of the most important legal and financial rules of Horizon Europe. It is divided into three parts – starting with the legal foundation and summaries of the most important documents, a section on the main rules for participation in Horizon Europe projects, and finally a summary of the financial rules relevant to managing Horizon Europe projects.

This is not an exhaustive document but is meant to be a useful summary. At the same time, the aim is to help future beneficiaries of Horizon Europe funds to navigate through the European Commission's guidance documents available online. The table of contents provides an overview of the issues covered in this factsheet.

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From Horizon 2020 to Horizon Europe: Main Changes at a Glance

Corporate Model Grant Agreement (MGA)

- The aim of the corporate MGA is to harmonise the rules on EU programmes managed by the Commission and to enable synergies between them. The corporate approach requires certain changes to bring the rules of the programme in line with those governing other EU funding streams, where necessary.

Project Data Sheet

- The Horizon Europe Model Grant Agreement includes a summary data sheet as an integral element of its 'Core part'. It provides the most important information about the project (e.g. reporting deadlines, budget of the participating organisations, etc.) at a glance.

Gender Equality Plans

- A Gender Equality Plan is mandatory for beneficiaries established in Member States/Associated Countries, which are public bodies, research organisations or higher education establishments.

Personnel Costs

- A new method for calculating actual personnel costs using a daily rate is used in Horizon Europe to help simplify the programme and reduce the high error rate.

New 'Purchase Costs' Category

- There is a new 'Purchase costs' category, which includes: Travel and subsistence; Equipment; and Other goods, works and services.

Internally Invoiced Goods and Services

- In Horizon Europe, it is necessary to include actual indirect costs (allocated via key drivers) in the unit cost calculation, instead of using the standard 25% flat rate for overheads.

Third Parties

- As part of the corporate approach, the Commission changed 'linked third parties' to 'Affiliated Entities' and 'International partners' to 'Associated Partners'.

Threshold for Certificates on Financial Statements (CFS)

- The standard threshold for a CFS increased from €325 000 in Horizon 2020 to €430 000 in Horizon Europe. There is also a higher CFS threshold (€725 000) for beneficiaries with the best classification under the so-called Systems and Processes Audit (SPA)

Systems and Processes Audit (SPA)

- The Systems and Processes Audit (SPA) is a new element of the control strategy in Horizon Europe designed to reduce administrative burden for selected beneficiaries by resulting in fewer and more focused audits.

The legal base of Horizon Europe

The **Regulation** laying down the rules for participation and dissemination in Horizon Europe is the most important legal text for the implementation aspects of the programme as a whole. It lays down both the specific rules for participating in Horizon Europe, as well as the rules for dissemination and exploitation of project results.

The **Specific Programme implementing Horizon Europe** is an additional act that sets out the detailed rules according to which specific aspects or parts of Horizon Europe are implemented. This includes the European Research Council (ERC) and the new European Innovation Council (EIC).

The Corporate Model Grant Agreement

When participating in Horizon Europe projects, all beneficiaries need to sign a grant agreement (GA) with the Commission. Under Horizon 2020, different models of the grant agreement were used for different funding schemes (e.g. collaborative projects, MSC Actions, ERC grants, etc.). Under Horizon Europe, the GA is based on a corporate Model Grant Agreement (MGA), which is used for all centrally managed EU programmes. The Corporate MGA provides the basic text to be used by the different programmes, with specific rules allowed at the programme, action or even call level, where necessary. This is particularly important for the Horizon Europe MGA, which needs to accommodate several specific rules related to IPR, Security, Ethics, etc. There is **one main version** for all types of grants based on actual costs; **another one** for the Marie Skłodowska-Curie Actions, which are based on unit costs and finally **one for lump sum projects**.

The corporate MGA aims to harmonise the rules on EU programmes managed by the Commission and to enable synergies between them. While the Horizon Europe MGA maintains strong continuity with that used in Horizon 2020, the corporate approach will require that certain adjustments be made to the previous model to bring the rules of the programme in line with those governing other EU funding streams, where necessary. The main changes stemming from the corporate approach are the introduction of a project data sheet and the use of a mandatory single formula for the calculation of personnel costs (based on days rather than hours worked). See here for more details.

The corporate structure of the Horizon Europe MGA

Core Text	
Data sheet	**Articles**
A summary of the specific data of the grant agreement:	Grouped into six chapters:
• **1.** General Data	• Chapter 1 – General information (Articles 1-2)
• **2.** Participants	• Chapter 2 – Action (Articles 3-4)
• **3.** Grant	• Chapter 3 – Grant (Articles 5-6)
• **4.** Reporting, payment and recoveries	• Chapter 4 – Grant Implementation (Articles 7-26)
• **5.** Consequences of non-compliance, applicable law and dispute settlement forum	• Chapter 5 – Consequences of non-compliance (Articles 27-35)
• **6.** Specific rules (Annex 5) & Standard time-limits after project end	• Chapter 6 – Final provisions (Articles 36-44)

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Project data sheet

The Horizon Europe Model Grant Agreement includes a summary data sheet as an integral element of the 'Core part' of the document. It provides the most important information about the project (e.g., reporting deadlines, budget of the participating organisations, etc.) at a glance. Furthermore, Annex 5 includes the specific non-financial provisions applying to the grant. The specific financial provisions are included in Article 6.

Main annexes

The main annexes are:

- **Annex 1: Description of the Action (DoA)** – the technical details of the implementation of the project, transferred from the original proposal.

- **Annex 2: Estimated Budget** – this is the table of the estimated budget for your Horizon Europe project. The table gives details for each participant and will, depending on the type of project, list personnel and other direct costs, subcontracting costs, third party costs and indirect costs.

- **Annex 2a: Additional information on unit costs and contributions (if applicable) – information about composing unit costs used on Horizon Europe projects.**

- **Annex 3: Partners' Accession Forms** – for each project, the GA is signed by the project coordinator and the Granting Authority. Project partners, known as 'beneficiaries' then accede to the GA by signing an accession form.

- **Annex 3a: Declaration on joint and several liability of affiliated entities (if applicable)** – this declaration needs to be signed by any affiliated entities to ensure they accept joint and several liability for the EU contribution of the beneficiaries they are linked to.

- **Annex 4: Model for the Financial Statements** – this form is completed by the beneficiaries at the end of each reporting period and builds on the budget table included in Annex 2.

- **Annex 5: Specific rules (if applicable)** – this part includes information about Horizon Europe rules that are different from those of other EU programmes where the corporate MGA is used. This includes specific rules for carrying out the action, ethics and research integrity, IPR, dissemination, etc.

European Commission guidance

The European Commission has made guidance on legal and financial matters available on its **Funding & Tenders Portal**. The most important guidance document is the **Annotated version of the Model Grant Agreement (AGA)**, which provides clarifications on individual articles of the legal document. In Horizon Europe, there will be two versions of the AGA - one basic, for newcomers to the programme, and another one for experts.

Additional guidance on legal and financial matters is provided in the **Horizon Europe Online Manual** and the **Programme Guide** on the Funding & Tenders Portal. Subscribers also get regular updates on Horizon Europe's legal and financial aspects through the UKRO Portal news, including answers to frequently asked questions and clarifications on the guidance that UKRO obtains.

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Participation basics

For the exact eligibility criteria and conditions, we recommend consulting the **General Annexes (A-H)** to the Work Programme for 2023-2025. It is also important to read the specific calls for proposals that are published by the European Commission, as they may include additional eligibility criteria.

The General Annexes are:

- **Annex A - Admissibility**
- **Annex B - Eligibility**
- **Annex C - Financial and operational capacity and exclusion**
- **Annex D - Award criteria**
- **Annex E - Documents**
- **Annex F - Procedure**
- **Annex G - Legal and financial set-up of the grant agreements**
- **Annex H - Specific conditions for actions implementing pre-commercial procurement or procurement of innovative solutions**

How much will be reimbursed?

Horizon Europe will continue using the simplified funding model known from Horizon 2020.

For Research and Innovation Actions (RIA), Innovation Actions (IA) and Coordination and Support Actions (CSA), there is only one funding rate for non-profit entities that will see a reimbursement of 100% of direct costs, with a 25% flat rate for indirect costs (some exceptions to the 25% flat rate apply, e.g., subcontracting). Other entities, such as SMEs, will also receive a reimbursement of 100% of direct costs for RIA, and CSA, but only 70% for IA.

Who is eligible for funding?

The **Programme Guide** includes an exhaustive list of countries eligible to receive Horizon Europe funding. The **List of Participating Countries** includes all third countries and third countries associated to Horizon Europe.

27 EU Member States	Associated Countries	Third Countries
• **Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden.**	• **Albania, Armenia, Bosnia and Herzegovina, Egypt, Faroe Islands, Georgia, Iceland, Israel, Kosovo, Moldova, Montenegro, North Macedonia, Norway, Serbia, Switzerland, Türkiye, Tunisia, Ukraine.** • **New Zealand, Canada, Japan and South Korea** (applicable only for the *'Global Challenges and European Industrial Competitiveness'* Pillar, including for the institutionalised European Partnerships) • **United Kingdom** (associated to the entire Programme, with the only exception of the EIC fund) • Association agreement with Morroco is pending.	• Only the Low and Middle-income Countries (LMIC) mentioned in the Programme Guide are automatically eligible for EU funding. • Developing economies such as BRIC (Brazil, Russia, India, China) and Mexico, as well as industrialised countries such as the USA or Australia are not automatically eligible for EU funding. • Organisations from these non-eligible third countries may exceptionally receive funding in selected calls where such possibility is explicitly mentioned in the call/topic text. • Furthermore, they can exceptionally receive funding, if their participation is necessary for the success of the project because they provide access to expertise, data or infrastructures that cannot be found in Europe.

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What are the minimum requirements for consortia?

In principle, consortia must include a minimum of three legal entities, independent of each other, and each established in a different Member State or an Associated Country.

As a novelty in Horizon Europe, one of these entities must be based in a Member State.

Exceptions to this rule include mono-beneficiary grants, such as the European Research Council Grants, some MSC Actions, Coordination and Support Actions (CSA), or the EIC Accelerator.

Furthermore, the call/topic conditions may include different requirements for consortia.

What types of actions are available?

RIA: Research and Innovation Actions	'Traditional' multi-national, multi-partner collaborative research and innovation projects – funding rate 100%.
IA: Innovation Actions	Actions which might include limited research and development activities but where the main focus is on innovation, including new or improved products, processes or services – funding rate 70% (non-profit legal entities 100%).
CSA: Coordination and Support Action	'Traditional' multi-national, multi-partner support actions or accompanying measures. CSAs do not provide funding for the actual research costs but for example for coordination of research policies, networking activities or, in some cases, studies and events – funding rate 100%.
Innovation and Market Deployment Actions (IMDA)	Activities that embed an innovation project and other activities necessary to deploy an innovation on the market. This includes the scaling-up of companies and Horizon Europe blended finance under the European Innovation Council (EIC).
Cofund Actions	A programme of activities established or implemented by organisations managing or funding national/regional R&I programmes, which is co-funded by Horizon Europe. It may support networking and coordination; research; innovation; pilot actions; innovation and market deployment; training and mobility; awareness raising and communication; and dissemination and exploitation.
Training and Mobility Actions (TMA)	Activities that aim to improve the skills, knowledge, and career prospects of researchers, based on mobility between countries and, if relevant, between sectors or disciplines.
Pre-commercial Procurement Actions (PCP)	Activities that aim to help a transnational buyers' group to strengthen the public procurement of research, development, validation and, possibly, the first deployment of new solutions that can significantly improve quality and efficiency in areas of public interest, while opening market opportunities for industry and researchers active in Europe.
Public Procurement of Innovative Solutions (PPI)	Activities that aim to strengthen the ability of a transnational buyers' group to deploy innovative solutions early by overcoming the fragmentation of demand for such solutions and sharing the risks and costs of acting as early adopters, while opening market opportunities for industry.

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Prizes

Prizes continue in Horizon Europe after many of them have been awarded under Horizon 2020 areas such as social sciences, ICT, energy, transport, and health. Horizon Europe prizes are mostly 'challenge' prizes (also known as 'inducement' prizes) offering a cash reward to whoever can most effectively meet a defined challenge. In a prize competition, the Commission will ask for a solution to a particular challenge, without defining the way of solving the problem. The goal will be to go beyond the current state of the art in research and innovation.

There are no eligible or non-eligible costs for prizes. As such, no co-financing and no financial reporting will be required. Prizes of a specific value will be awarded solely based on the results, irrespective of the costs incurred (lump sum).

Prizes are either managed directly by the European Commission, or they can be outsourced to its Executive Agencies. In both cases, the Commission will set out the rules of the contest and evaluation. Prizes will be launched separately from the standard calls for proposals or calls for tenders and can be awarded at any time, even after the official end of the Horizon Europe programme.

In addition to inducement prizes, Horizon Europe will also feature several recognition prizes such as the EU Prize for Women Innovators, awarded to the most talented women entrepreneurs from across the EU and countries associated to Horizon Europe, who have founded a successful company and brought innovation to market.

How to get started?

UKRO provides subscribers with separate factsheets on **applying for Horizon Europe funding and on building consortia**.

Registering an organisation

Getting started with a Horizon Europe proposal requires getting set up on the Funding & Tenders Portal. Detailed guidance on the portal is available through the Horizon Europe Online Manual.

Under Horizon Europe, each organisation that wants to participate in projects must register on the Participant Register through the Funding & Tenders Portal. Upon completing registration, a provisional nine-digit Participant Identification Code (PIC) will be issued. This number must be quoted in any proposal and correspondence with the Commission. Like in Horizon 2020, at least a provisional PIC is needed to start a proposal in the system and will be required for every project partner. A preliminary PIC is issued immediately after registration (shown as 'declared') and can be used for proposal preparation. It will only be validated during the grant agreement preparation phase of the organisation's first successful project. **A PIC must only be created once**, not for each research proposal submitted.

It is strongly recommended that each organisation participating in a Horizon Europe project, either as a beneficiary or a third party, has at least a declared PIC.

Organisations with a PIC from Horizon 2020 do not need to re-register again unless the status of their organisation has changed (e.g. it became a different legal entity, etc).

Legal Entity Appointed Representative (LEAR)

Once an organisation has been registered and validated, the Legal Entity Appointed Representative (LEAR) will have to be appointed. Traditionally this is someone involved in the organisation's central administration. Since the LEAR's roles and responsibilities will remain the same as in Horizon 2020, existing LEARs will not need to be re-appointed, unless the organisation wants to change the LEAR.

Once appointed, the LEAR, among other things, will be able to change the organisation's details, see details of the organisation's projects and proposals, delegate access to colleagues and most importantly, appoint legal signatories (LSIGN) and financial signatories (FSIGN), just like in Horizon 2020.

Managing Horizon Europe projects

European Commission grant management

Under Horizon Europe, the Commission will continue to outsource grant management to its Executive Agencies. However, under Horizon Europe many of the old agencies have been rebranded to reflect the new structure of the programme and to ensure synergies with other EU funding streams. For example, the European Health and Digital Agency (HaDEA) oversees the financial management of the following EU programmes:

- Cluster 1 'Health' and Cluster 4 'Digital, Industry and Space' of Horizon Europe;
- EU4Health programme;
- Digital Europe Programme;
- Single Market Programme; and
- Connecting Europe Facility: Digital.

Internally, the Commission will also continue to operate the **Common Implementation Centre** – a dedicated structure, which ensures greater consistency in the interpretation of rules across all Directorates and Commission units involved in Horizon Europe. The CIC includes the Common Legal Support Service, Common Audit Service, Common Service for Business Processes, Common IT Service, etc.

Grant preparation and Time-To-Grant (TTG)

Like in Horizon 2020, there is no significant grant negotiation phase and the Commission is not able to suggest any major changes to the proposal before the signature of the grant agreement. Proposals are evaluated on their own merit, meaning that what is submitted will be evaluated and, in general, Horizon Europe actions are expected to start **within eight months from the call deadline**.

During this period, beneficiaries are also expected to sign a Consortium Agreement (CA), where necessary. As the CA is an internal document of the consortium, in principle, the Commission should not be asking for a copy.

Consortium Agreement

Where applicable, a Consortium Agreement may be required before the signature of the GA. The CA describes the roles and responsibilities of each consortium partner together with other arrangements, such as dispute resolution and Intellectual Property management. DESCA Model Consortium Agreements for Horizon Europe are available on **www.desca-2020.eu**. The DESCA model was widely used by institutions participating in Horizon 2020 and continues to be popular. However, it is up to each individual project consortium to agree on the most appropriate template and wording for their own Consortium Agreement.

Pre-financing and the Mutual Insurance Mechanism

As in Horizon 2020, the pre-financing aims to provide the beneficiaries with a float. It remains the property of the EU until the final payment and will be paid either 30 days from entry into force of the GA, or ten days before starting date of the project – whichever is the latest.

As a novelty in Horizon Europe, an additional pre-financing payment is also possible in certain cases after the submission of an additional pre-financing report. The amounts due, schedules and modalities are set out in the project Data Sheet.

A contribution of between 5 and 8% of the maximum grant amount, will be retained from the initial pre-financing and transferred to the Mutual Insurance Mechanism (former Guarantee Fund in Horizon 2020). The amount retained will be released and paid to the coordinator if the balance of the final payment is positive.

Participation options

Like in Horizon 2020, there are two main types of participants in Horizon Europe:

Beneficiaries

Organisations that sign the GA and have full rights and obligations under it.

They contribute to the objectives of the project and receive funding from the European Commission (via the coordinator).

Third parties

Organisations (e.g. subcontractors, or affiliated entities) that do not sign the GA, although some obligations may still apply to them.

They may either implement action tasks directly (perform key activities on the project), or provide goods, services and resources that enable the beneficiary to implement these tasks.

Participants without EU funding

As a key novelty in Horizon Europe, organisations not eligible to receive EU funding in a call for proposals cannot be beneficiaries. The corporate MGA does not envisage an option where a beneficiary participates in a project, but without receiving EU funding as was the case in Horizon 2020.

This means that eligibility for funding (as specified in the call conditions) now determines if an organisation can be included in a project as a beneficiary (with full rights and obligations), or if one of the options for third parties should be used instead.

Project roles

There are two types of beneficiaries (consortium partners) in Horizon Europe:

Coordinator (Coordinating institution)

- Signs the GA on behalf of the consortium
- Acts as first point of contact with the Commission
- Receives EC funding and distributes it to the other consortium partners
- Ensures successful delivery of the project by the consortium
- Prepares consortium meetings, periodic/final reports for the EC, etc.

Partner (beneficiary)

- Accedes to the GA through the Accession Forms
- Is responsible for its share of the project budget and activities (work packages)
- Submits technical and financial reports for its project activities to the coordinator

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Types of costs

There are four main types of costs in Horizon Europe:

Actual costs	Unit costs	Flat rates	Lump sums
• Individual costs items which must meet the general and specific conditions to be eligible (e.g. incurred directly by the beneficiary, during the project's duration, etc.)	• Set amounts per unit (e.g. person month in MSCA). The relevant amount is multiplied by the number of units, with the grant amount dependent on the actual number of units.	• A percentage applied to other types of costs. • Indirect costs - 25% flat rate on direct eligible costs.	• A global amount set by the EC and paid at the end of a completed task.

Eligible costs

Beneficiaries can only claim costs that are defined as eligible under Horizon Europe. Compared to Horizon 2020, not much has changed in terms of the eligibility criteria. In short, to be eligible, actual costs must be:

- actually incurred by the beneficiary;
- incurred during the action duration set out in Article 4 (with the exception of costs relating to the submission of the final periodic report, which may be incurred afterwards);
- declared under one of the budget categories set out in Annex 2;
- incurred in connection with the action as described in Annex 1 and necessary for its implementation;
- identifiable and verifiable;
- in compliance with applicable national laws on taxes, labour and social security;
- reasonable, justified and must comply with the principles of sound financial management, in particular regarding economy and efficiency.

Costs are eligible if they comply with the general and specific conditions set out in the Model Grant Agreement for each of the following budget categories:

- Personnel costs;
- Subcontracting costs;
- Purchase costs (Travel and subsistence; Equipment; Other goods, works and services);
- Other costs (Financial support to third parties; Internally invoiced goods and services; Transnational access/Virtual access to research infrastructure unit costs); and
- Indirect costs.

Ineligible costs

Costs that do not meet the general and specific conditions set out in the Model Grant Agreement are considered ineligible in Horizon Europe. This category also includes the following:

- costs related to return on capital and dividends paid by a beneficiary;
- debt and debt service charges;
- provisions for future losses or debts;
- interest owed;
- currency exchange losses;
- bank costs charged by the beneficiary's bank for transfers from the granting authority;
- excessive or reckless expenditure;
- deductible or refundable VAT (including VAT paid by public bodies acting as public authority);
- costs incurred or contributions for activities implemented during grant agreement suspension.

Direct and indirect costs

'Direct costs' are costs that are directly linked to the action implementation and can therefore be attributed to it directly. They **must not** include any indirect costs unless specifically allowed by the Commission (e.g. unit costs for internal invoicing).

'Indirect costs' are costs that are not directly linked to the action implementation and therefore cannot be attributed to it directly.

Indirect costs are reimbursed at a **flat rate of 25% of the eligible direct costs**, except for subcontracting costs, financial support to third parties and exempted specific cost categories such as unit costs for internal invoicing).

Budget transfers

Like in Horizon 2020, on actual cost grants, it is possible to transfer budgets between beneficiaries in the same project, between the budget categories (personnel, other direct costs…) and even between forms of costs not envisaged in Annex 2 (unit costs ←→ actual costs, but only within the personnel costs category!) without a need for an amendment to the GA.

However, the general principle that beneficiaries should keep in mind is that these transfers should not drastically change what was agreed for the project in the first instance in terms of tasks and outcomes. The GA allows for an easy transfer of funds, but not tasks between beneficiaries. If the budget transfer impacts the description of the action (Annex 1) then an amendment should be requested.

No transfers (without an amendment) are allowed where:

- the amounts are set out as lump sums; or
- there is a case of costs relating to subcontracts which are not envisaged in Annex 1 (although, it is now possible to declare these in the next periodic reporting and have them accepted by the Commission officer without a formal amendment)

Value Added Tax (VAT)

As in Horizon 2020, under Horizon Europe, non-deductible VAT is an eligible cost, if it cannot be recovered elsewhere (e.g. from national authorities). It is therefore important to check if VAT can be recovered from national authorities well before the end of the reporting period and, if not possible, include it in the financial claims.

Personnel costs

As in Horizon 2020, personnel costs are likely to be one of the main cost items for many projects based on actual costs.

A new method for calculating actual personnel costs using a daily rate (as opposed to an hourly rate in Horizon 2020) was introduced under Horizon Europe to help simplify the programme and reduce the high error rate under this cost category in Horizon 2020.

The new methodology for calculating the daily rate stems from the corporate approach to grant agreements used across all centrally managed EU programmes and i**s mandatory**. The same method is used across many other EU programmes to further promote synergies between them. The main change concerns a **single corporate formula** for the calculation of all actual personnel costs.

The costs of employees (or equivalent) will need to fulfil the general eligibility conditions and be directly related to personnel working for the beneficiary under an employment contract (or equivalent appointing act) and assigned to the action. Like in Horizon 2020, the costs must be limited to salaries (including net payments during parental leave), social security contributions, taxes and other costs linked to the remuneration and must be the result of national law or the employment contract (or equivalent appointing act).

Personnel costs must be calculated by the beneficiaries in the following way:

Day equivalents Up to a declarable maximum of: {((215 / 12) multiplied by the number of months within the reporting period) multiplied by the working time factor}	✕	**Daily rate** {actual personnel costs during the months within the reporting period} Divided by {maximum declarable day equivalents}	=	**Personnel cost** To be calculated per person for each reporting period
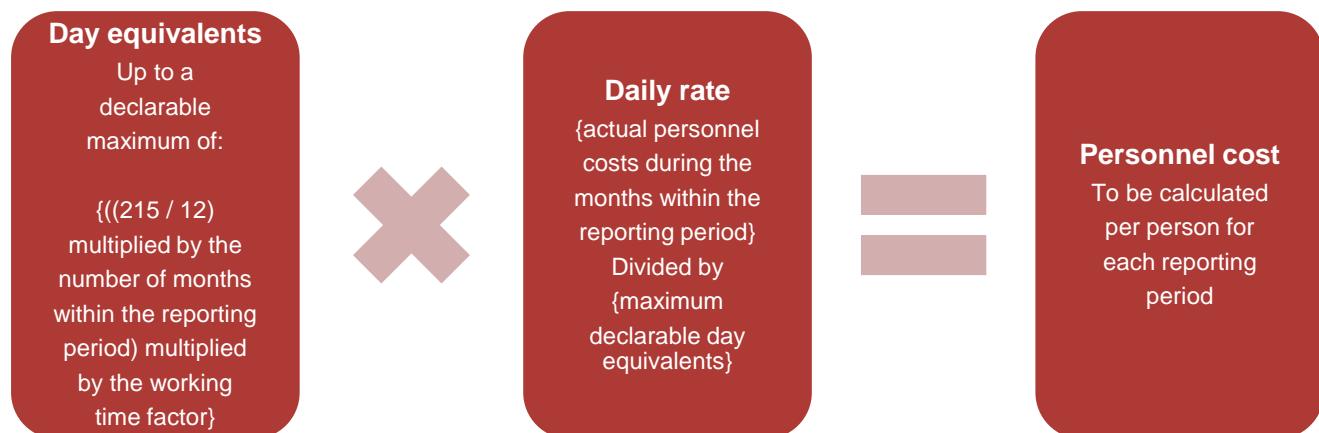
The daily rate must be calculated for each person working on the project either per the entire reporting period or per each calendar year of the relevant reporting period – both options are possible but they must be used consistently. Further information on calculating personnel costs in Horizon Europe is available in the **Annotated Grant Agreement**.

Parental leave

The actual time spent on parental leave by a person assigned to the action may be deducted from the 215 days indicated in the above formula.

Reporting personnel costs

The beneficiaries must report personnel costs using days (or day equivalents), not hours, like in Horizon 2020.

Organisations can continue to record personnel effort using their existing processes (e.g. based on an hourly rate) and the daily rate will only be required to report personnel costs to the Commission. If an organisation's internal timekeeping processes are based on the number of total hours worked, these will need to be converted to a 'day equivalent' with the following three conversion methods allowed:

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Average number of hours specified in the employment contract
- Conversion based on the **average number of hours** the person must work per day **according to their contract** (e.g. 7.5 hours)

Standard annual productive hours
- Conversion based on the usual **standard annual productive hours** of the beneficiary, if it is at least 90% of the workable time (continuity with H2020)

Fixed number of hours = 8 hours/day
- Conversion based on a fixed number of hours (e.g. for beneficiaries with no reference in the contracts and without SAPH: **1 day equivalent = 8 hours**

New standardised unit cost method for personnel

In early 2024, a new optional approach to charging personnel costs for Horizon Europe projects using the actual cost model was introduced to limit financial errors arising from having to make complex calculations for each employee working on a Horizon Europe project. This new option excludes funding schemes based on unit costs, such as MSC Actions.

Each institution participating in a project will have a separate daily rate unique to that institution.

Under the new method, personnel costs can be charged using a standardised daily rate, which will apply uniformly to all personnel working on Horizon Europe actions within a single institution.

The daily rate will be calculated as follows:

Beneficiaries' total staff costs in the last closed financial year $\div$ the number of annual work units for that year $\div$ 215 $=$ Standardised daily rate
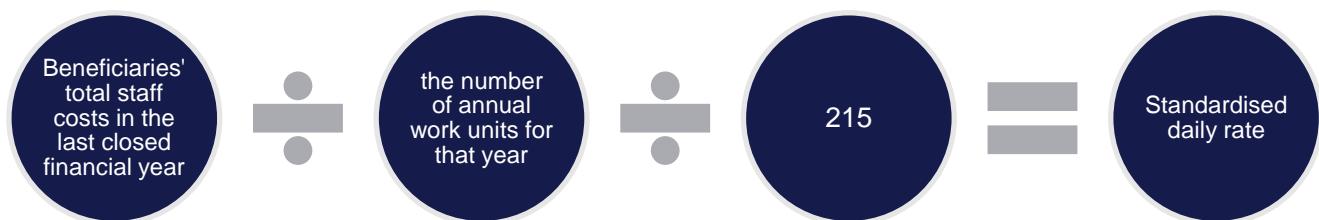
The standardised daily rate, once set, will apply to all individuals working for the institution across all suitable Horizon Europe actions to streamline cost reporting requirements for everyone engaged in the project. It will also apply to new proposals submitted after the approval date and to grant agreements that have not yet been signed by the institution (i.e. still under preparation). Furthermore, the institution will also need to use this standardised unit cost to calculate personnel costs for lump sum grants in the proposal's detailed budget table.

Using the new personnel unit costs method is optional and is granted only on request. The approved unit cost is valid for at least two years. The beneficiaries can request an update to the unit cost amount, every two years after the approval date, until 31 December 2027.

Beneficiaries can test the new method and, if not satisfied with its implementation, revert to using an actual costs model for personnel calculations. However, if this happens, they will not be able to request again the use of the personnel unit cost until the end of Horizon Europe.

A **short video** explaining how to do the calculation has been provided by the Commission.

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Claiming the Cost of PhD Tuition Fees on Horizon Projects

Horizon Europe Collaborative Projects (RIA, IA, CSA) and European Research Council Grants

PhD tuition fees, which are considered as a foregone cost to the institution, and bursaries can be charged as an eligible personnel cost under Article 6.2.A.2 of the Horizon Europe Model Grant Agreement (MGA). The Annotated MGA for Horizon Europe states the following under *"Specific cases (costs for natural persons with direct contract and seconded personnel (A.2, A.3))"*:

"Fellowships, scholarships, stipends, internship or similar agreements (not employees) — Costs for persons (e.g. students, PhDs and other researchers) under fellowships, scholarships, stipends, internship or similar agreements, through which they work for the beneficiary on the action (without having an employment contract) can be accepted, if the agreement is work-oriented (as opposed to training-oriented: i.e. not aimed at helping the student to acquire professional skills).

Such cost can be charged to the action as personnel costs, if they fulfil the conditions set out in Article 6.1 and 6.2.A.2, and in particular:

- ▪ *the assignment of tasks and the remuneration complies with the applicable national law (e.g. on taxes, labour and social security)*

- ▪ *the recipients of fellowships, scholarships and stipends have the necessary qualifications to carry out the tasks allocated to them under the action.*

PhD agreements are considered work-oriented. However, time for training, if any, may NOT be charged to the action."

Cost for exemptions from academic fees (HE) — The fees (or the fee exemption) are eligible as personnel cost, if the student's contract includes the amount of waived fees as part of their remuneration. The other conditions set out in Article 6 have to be fulfilled as well (e.g. the full remuneration, included the value of the waived fees, must be recorded in the university's accounts)."

To be eligible, the PhD student must be exempt from paying the said fees themselves, and the waived fee amount must be stipulated in the student's contract. The full stipend payment, including the waived fee, must also be clearly recorded in the universities' accounts for audit purposes and the fee amount itself needs to correspond to the rates published on the institution's website (a record of this needs to be kept for future audits).

This means that the fellowships/scholarships/stipends and the waived fees are incorporated into the salary of the student and can be charged to the grant provided that this remuneration complies with the national law on taxes and social security payments.

Furthermore, the PhD agreement must be considered work-oriented, and time for training (if any) may not be charged to the project, as it is not considered relevant to reach the objectives of the project.

The hourly rate for the PhD student must be calculated in accordance with the method stated in the grant agreement for the calculation of personnel costs for employees as detailed in Article 6.2 A.1 of the Horizon Europe MGA. In terms of record keeping, the same evidence as for employees must be kept by PhD students (i.e. monthly declaration of days worked on the project).

Please note that UKRO sought further clarification on this subject from the Commission who confirmed that (as long as the other eligibility conditions are met) it is also possible for the beneficiary to pay the PhD student an 'enhanced' stipend – so that they can cover the fees themselves – rather than waive the fees. In this case, the waived fees would not be charged to the grant, but the full value of the increased PhD stipend would.

If you intend to charge the costs in this way, we strongly suggest that you contact the **Research Enquiry Service** with this question and keep their answer for your records to avoid potential issues with auditors as this interpretation of the rules somewhat deviates from the official guidance included in the Annotated MGA.

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Horizon 2020 Collaborative Projects (RIA, IA, CSA) and European Research Council Grants

Similar articles and annotations as above are included in the Horizon 2020 MGA and the Horizon 2020 Annotated MGA.

Detailed information on audit requirements for these costs under Horizon 2020 can be found in the **H2020 Indicative Audit Programme**.

Marie Skłodowska-Curie Actions (MSCA) under Horizon Europe and Horizon 2020

PhD students recruited as part of a MSCA Doctoral Network (DN), Innovative Training Network (ITN) or COFUND Doctoral Programme must not be asked to pay tuition fees for their research training and/or PhD programme with their own funds or from the researcher unit costs that they receive, as stated in the MSCA Horizon Europe MGA and under Section 3 of the Horizon 2020 MGA.

Seconded staff members involved in a MSCA Staff Exchange (SE) or Research Innovation Staff Exchange (RISE) project must also not be asked to pay tuition fees for their research and innovation training with their own funds or from the staff member unit cost.

The associated costs can be recovered through the institutional unit costs including the 'Research, Training, and Networking' costs (RTN) and the 'Management and Indirect' costs. Institutions can also choose to waive the fees or offer a reduced fee rate.

Timesheets

As a major change from Horizon 2020, timesheets will not be mandatory unless they are considered a standard practice of the beneficiary (in which case staff should continue using them on Horizon Europe projects). Otherwise, a monthly declaration, signed by the person and the supervisor will be required, though the Commission may accept alternative evidence if it considers that it offers an adequate level of assurance. A **template for the monthly declaration** is provided by the Commission.

Unit costs of internally invoiced goods and services

This budget category covers the cost of goods and services that are produced or provided within two units of the same beneficiary organisation to be used directly on a Horizon Europe project. This includes self-produced consumables, the use of specific research devices or research facilities, as well as specialised premises for hosting the research specimens used for the project (e.g. animal house, greenhouse, aquarium).

In Horizon Europe, to enable the beneficiary organisation to recover more funds under this specific cost category, it is necessary to include actual indirect costs (allocated via key drivers) in the unit cost calculation, instead of using the standard 25% flat rate for overheads.

To do this, the Commission requires the beneficiary to have a well-documented methodology for using allocation keys based on the organisation's usual cost accounting practices. For example, the beneficiary can charge the actual power supply costs allocated to a specific laboratory or room based on the square meters it occupies, instead of simply claiming the standard 25% flat rate, which may not cover all overheads.

Consequently, because the actual indirect costs are expected to be included in the unit cost for internally invoiced goods or services, these costs will not attract the 25% flat rate for indirect costs in the budget table.

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Depreciation costs of equipment, infrastructure, or other assets

As a default option, just like in Horizon 2020, purchases of equipment, infrastructure or other assets used for the project must be declared as depreciation costs, calculated based on the costs incurred and written off in accordance with international accounting standards and the beneficiary's usual accounting practices. Only the portion of the costs that correspond to the rate of actual use for the action during the action duration can be taken into account.

In exceptional cases, when foreseen in the relevant Work Programme, the GA may allow the beneficiaries to claim the full cost of specific equipment. Furthermore, a combination of these two methods can also be allowed on certain projects.

Subcontracting

The Commission will consider all tasks included in the proposal as "action tasks" in the future.

Unless specifically mentioned that a task will not be performed by a member of the consortium, it will be assumed that no subcontract is necessary. To give an example, if the proposal (and consequently Annex 1) mentions that a conference, or several workshops, will be organised as part of the project's main activities, these are considered action tasks. If the plan is to delegate the entire organisation of these events to a company outside the consortium, a subcontract should be foreseen, and this should ideally already be mentioned in the proposal. Otherwise, an amendment to the Description of the Action (Annex 1) will be required.

It should be noted that the rules on subcontracting have not changed from Horizon 2020. Thus, paying an external provider for certain minor parts of the work, for example, catering or printing materials for an event, will continue to be considered purchase costs (contracts for goods, works and services). However, if an event, which is considered an action task in Annex 1, is fully organised by an external provider, and for example, the beneficiaries just send speakers to the event, this should be considered a subcontract.

Lump sum funding in Horizon Europe

As part of the simplification agenda, the European Commission is increasing the number of Pillar 2 topics in Horizon Europe that utilise the **lump sum funding model**. This is expected to reduce the significant number of financial errors on research and innovation grants, which is much higher than on other types of EU projects.

The approach to lump sum funding under Horizon Europe remains mostly unchanged from Horizon 2020 and builds on the **2018-2020 Lump Sum Pilot**, although several important changes have been introduced by the Commission to make the implementation of lump sum projects easier. The key aspect of lump sum projects is that payments are made at the end of each reporting period **upon the completion of work packages**. If a work package is not completed at the end of a reporting period, payment for the corresponding activities will be delayed.

Applicants need to provide a detailed breakdown of the costs per work package and the evaluators will assess if the cost estimates are appropriate and reasonable, benchmarking against historical data. The Commission has also developed a **personnel cost dashboard**, which will help the evaluators assess the personnel costs per country and type of organisation. As with the Horizon 2020 pilot, lump sum funding will either be fixed in the call, or there will be an individual lump sum per project proposed by the consortium.

Calls using lump sum funding utilise the two-step application process so that only proposals going through to stage 2 need to provide a detailed budget. The budget table is expected to be fully integrated into the online submission system in the future and replace the current Excel tool.

As in Horizon 2020, payments do not depend on a successful outcome, but on the completion of the project activities. It is now possible for incomplete work packages to be finalised in the subsequent reporting periods. Moreover, in the last reporting period beneficiaries can declare partial work packages that were not completed earlier and get paid accordingly for their work efforts.

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Under Horizon Europe, amendments will also be easier (no need for a technical review) and essentially the same as for standard grants.

The total number of Horizon Europe calls using the lump sum model has increased significantly since the start of the programme and is eventually expected to reach up to 50% of all Pillar 2 calls by 2027. The Commission now has a **dedicated page** with **detailed guidance** on lump sum funding in Horizon Europe.

Furthermore, lump sums are also trialled in other parts of the programme, like the European Research Council (ERC) to help fund frontier research projects in a new way, and the European Innovation Council (EIC) under Pillar III.

Reporting in Horizon Europe

A **template for periodic reports** required on Horizon Europe projects such as Research and Innovation Actions, Innovation Actions, Coordination and Support Actions, and Marie-Skłodowska Curie Actions, is available in the '**Reference documents**' section on the Funding and Tenders Portal.

The periodic reports in Horizon Europe have two components: technical (parts A and B) and financial.

Technical Report

Part A of the Technical Report must be completed directly on the Continuous Reporting screens in the Grant Management System and includes the following sections:

- Cover page
- Project summary
- Project management and implementation (incl. a 'Researchers involved in the project' table similar to that in the application form)
- List of participants
- List of deliverables
- List of milestones (outputs/outcomes)
- List of critical risks
- Project pathway to impact (incl. the new Results Ownership List)
- Dissemination and communication activities
- Financial support to third parties
- Research infrastructure (for Research Infrastructure projects)
- Mobility declaration (for MSCA projects)

Compared to Horizon 2020, greater focus is placed on reporting the project's pathway to impact (scientific, economic and societal – in line with the objectives of the programme). This includes several new questions on the relevance of the project results to the specific UN Sustainable Development Goals or citizen engagement in the project activities.

Part B is the core part of the report that beneficiaries must first download from the Technical Report (Part B)/Termination Report screen, complete and then upload as a PDF on the same screen.

It includes a detailed description of the work carried out by the consortium during the reporting period and an overview of the progress made, among other things.

Financial Report

This report consists of structured forms from the Grant Management System, including individual financial statements (Annex 4 to the **Grant Agreement**) for each beneficiary/Affiliated Entity, as well as an explanation of the use of financial resources on the action (filled out directly on the 'Financial Statements' screen).

This information is then used to compile the consolidated Financial Statement for the entire consortium, which is generated automatically by the Grant Management System.

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Periodic reporting and the Grant Management System

As in the past, many parts of the periodic report are fully integrated with the Grant Management System and therefore, its preparation should be relatively straightforward. For example, part A of the Technical Report will be generated by the IT system. It will be based on information entered by the participants throughout the project when using the so-called continuous reporting functionality, which is activated at the beginning of each action and can be used at any time to submit deliverables, report on progress in achieving milestones, follow up on ethics issues, publications, communications activities, etc.

Further information for part A will need to be submitted using the so-called periodic reporting functionality in the Grant Management System, which actives at the end of each reporting period.

Before the submission, the coordinator will have the chance to review all data submitted by all consortium partners.

As with many other parts of grant management, the process can be quite technical and subscribers are strongly encouraged to read the '**Periodic reports**' section of the Horizon Europe Online Manual before submitting their reports.

Reporting in the euro

Financial statements must be drafted in the euro.

UK beneficiaries (and linked third parties) with accounting established in GBP must convert costs **recorded in their accounts** into euros using the average of the daily exchange rates published in the C series of the Official Journal of the European Union, calculated over the corresponding reporting period.

To calculate this rate, beneficiaries may use the editable charts on the **ECB website**.

Certificates on Financial Statements (CFS) and Commission audits

Under Horizon Europe, Certificates on Financial Statements (CFS) – audit certificates on the costs declared by a beneficiary – are only due at the end of the project, and only in certain cases. A CFS must only be submitted by those beneficiaries (and affiliated entities) whose requested EU contribution calculated on all costs (incl. indirect costs) is equal to, or greater than €430,000. There is also a higher CFS threshold (€725 000) for beneficiaries with the best classification after the so-called Systems and Processes Audit (see below for details).

The cost of a CSF must be claimed under 'Purchase costs' and no longer in the 'Other directs costs' category as in Horizon 2020 and the audit should be performed by an external auditor (with exceptions existing for some types of organisations).

It is important to distinguish between the external audits and the CFS, which is only due where the threshold of €430,000 is reached, and audits that are carried out by the European Commission, or also the Court of Auditors. The European Commission may order an audit of a Horizon Europe grant during the lifetime of the project or until the time limit set out in the Data Sheet. Audits carried out by the Commission are limited to a small percentage of Horizon Europe beneficiaries. However, the timing of audits by other bodies, such as the European Court of Auditors, continues to be governed by their own rules and may therefore be outside the two-year limit.

Systems and Processes Audit

The Systems and Processes Audit (SPA) is a new element of the control strategy in Horizon Europe designed to reduce the administrative burden for selected beneficiaries by resulting in fewer, more focused audits.

The SPA is only available to the most active beneficiary organisations with a large portfolio of projects (both in terms of numbers and EU contribution received). In the initial phase of Horizon Europe, it is available to organisations with at least 150 Horizon 2020 projects and at least three Horizon Europe projects. However, this requirement could change with time, as more Horizon Europe projects are awarded and Horizon 2020 actions end.

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The SPA consists of two main elements aiming to assess the financial risk at the level of the participating organisations: a test of the beneficiary's financial control systems and a test of the beneficiary's financial transactions. The combined review will result in either low-, medium-, or high-risk classification. Organisations with low-risk classification will benefit from a higher CFS threshold, thus reducing the need for internal audits.

Gender Equality Plans

Gender Equality Plans (GEP) are one of the novelties in Horizon Europe that stem from the Union's first Gender Equality Strategy 2020-2025.

It is mandatory for beneficiaries established in EU Members States/Associated Countries, which are public bodies, research organisations or higher education establishments, to have a GEP that covers the following minimum process-related requirements:

- **Publication**: formal document published on the institution's website and signed by its top management.
- **Dedicated resources**: commitment of resources and expertise to implement it.
- **Data collection and monitoring**: sex/gender-disaggregated data on personnel (and students for establishments concerned) and annual reporting based on indicators.
- **Training**: Awareness raising/training on gender equality and unconscious gender biases for staff and decision-makers.

Content-wise, recommended areas include the following:

- work-life balance and organisational culture;
- gender balance in leadership and decision-making;
- gender equality in recruitment and career progression;
- integration of the gender dimension into research and teaching content; and
- measures against gender-based violence including sexual harassment.

GEPs are a strict eligibility criterion only for the types of institutions mentioned above (at least for calls with deadlines after 2021) and other categories of legal entities, such as private-for-profit organisations (including SMEs), are exempt from it.

An organisation may not yet have a GEP at proposal submission stage, but it must have a GEP in place at the time of the Grant Agreement signature.

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More information

- **Horizon Europe website**
- **Lump sum funding in Horizon Europe**

Horizon Europe's legal basis:

- **Regulation establishing Horizon Europe**
- **Decision establishing the Specific Programme of Horizon Europe**

Horizon Europe guidance

- **Horizon Europe Model Grant Agreement (general)**
- **Horizon Europe Model Grant Agreement (unit costs)**
- **Horizon Europe Model Grant Agreement (lump sums)**
- **Horizon Europe Programme Guide**
- **Horizon Europe Annotated Grant Agreement**
- **Horizon Europe Online Manual**
- **IT Helpdesk**

UKRO Portal

- **UKRO Portal**

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