

Guide for the Treatment of Project Costs in Funding Applications and Reports

**for projects with funding contracts
according to the
RTD DIRECTIVES and the
FFG DIRECTIVES**

Version 1.2



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1 Preamble

This general guide (hereinafter referred to as Cost Guide) provides information to all funding applicants of the FFG (Austrian Research Promotion Agency) on the treatment and representation of costs in funding applications and reports (interim reports and final reports) in funding programmes according to the RTD Directives and the FFG Directives. Application of this Guide to all Calls according to the RTD Directives and FFG Directives launched as of 1 March 2010 is mandatory.

Attention! The Programme Guides may contain programme-specific regulations differing from, and supplementing, the regulations in the Cost Guide. The Programme Guides indicate these differing and supplementary regulations explicitly at the beginning. The Cost Guide on hand then is to be applied as subsidiary to these regulations.

All specific Programme Guides, templates for funding applications and reports, etc can be downloaded from the FFG's website under the respective programmes:

<http://www.ffg.at>

For projects co-funded by EU funds or by the European Fund for Regional Development (EFRE), special regulations apply – see FFG website under the respective programme.

2 General Provisions

The following provisions concerning eligibility of costs have to be complied with when drawing up funding applications or reports. We recommend that you familiarise yourself with, and comply with, all regulations relevant to the project before drawing up the funding application and the reports, in order to avoid having to make any corrections later.

Funding application: The funding applicant has to submit a funding application in writing before the specified period, if there is any, has expired. For this application, the provided corresponding form is to be used. The funding application has to include a specification of the planned activities, a cost plan, timetable, and financing plan, all corresponding to the special nature of the service. The application also has to include any further documents that refer to the service funded according to the Programme Guide.

Report: The funding recipient is obliged to report on the services performed between the beginning and the end of the project. As a rule, these reports are a prerequisite for the payment of further funding rates. The reports consist of the progress report and a supporting tabular document (statement of account) with clear reference to the activities performed.

Statement of account: The interim statement of account and the final statement of account are part of the interim report or the final report respectively. The statement of account has to comprise a breakdown of all receipts and expenses connected with the service funded. Cost estimates on a flat-rate basis are only possible under certain conditions and within the scope defined. The forms provided by the FFG have to be used for the statement of account. If the respective cost structures according to the funding application / cost plan, or the funding contract respectively, are complied with, project statements of account from cost accounting systems are possible, provided they amount to the actual costs at least. The statement of account also has to demonstrate that the costs accounted for do not exceed any upper limits.

Evidence of actual cost: Evidence has to be provided of all costs according to the statement of account by means of the respective invoices / vouchers.¹

The date of service, the date of invoice and the date of payment all have to be within the funding period, and the statement of account has to be drawn up within the period defined in the Programme Guide. In well-founded exceptional cases – e.g. in case there is a delay in invoicing that is not due to someone's

¹ Exceptions are the hourly rate for shareholders working in the project, and the 20% overhead rate.

negligence - a date of payment up to a maximum of 3 months after the end of the funding period can be accepted.

When the accounts of the project are audited by the FFG on site, the adequacy of the expenses has to be described (e.g. by means of submitting comparative offers, insofar as this is expedient with regard to the amount of the estimated order value and the type of service bought in addition).

In case of services bought in addition from associated enterprises (personnel and in-kind contributions), the funding recipient has to prove that the service has been charged at cost.

Retention period: All project-related documents (books and vouchers, as well as other documents serving the auditing of the performance of the service) have to be retained in the original for at least **ten years from the completion of the project** (confirmation of the appropriate use of the funds by the FFG) in a secure and orderly manner. In addition, the retention period can be extended by the FFG in justified cases (e.g. until a loan possibly granted has been paid back completely).

3 Principles Concerning Eligible Costs

Eligible costs: These are all expenditures that can be attributed to the project directly, actually, and in addition (to the established operating expenses) for the duration of the funded research activity.

Admissible costs: The eligible costs can be restricted by the programme or by the jury (admissible costs). This means that the regulations on eligible costs that have been mentioned apply generally, and do not always fully apply to each programme.

The following are **non-eligible costs** in any case:

Costs that are not considered as eligible costs due to EU competition law regulations (e.g. for the R&D area: marketing and distribution costs);

Costs that are not considered as eligible costs due to the RTD Directives or the FFG Directives;

Costs that are excluded from funding according to the Programme Guide (these are listed at the beginning of the Guide);

Costs that are not immediately connected with the project funded, or costs that cannot be clearly attributed to the project;

Costs that were incurred before the funding application was received by the FFG (= cut-off date for admission);

Costs that are excluded from funding according to conditions in the funding contract;

Costs that are charged to third parties and are therefore not carried by the funding recipient;

Costs that have already been funded under a different funding scheme (double or multiple charging of costs);

Partial amounts of invoices that have not been paid (e.g. discounts, rebates, claims for damages, warranty payments, etc.);

Financing costs, interest;

Imputed costs, such as e.g. imputed risks, cost-accounting depreciation, imputed interest, etc.;

Costs of acquiring real estate and immovable property;

Reserves and accruals;

Representation costs.

Value-added tax: In principle, the value-added tax attributed to the costs of the delivery/service that are eligible for funding, is not an expense eligible for funding. However, if this value-added tax has to be

borne provably actually and eventually by the funding recipient, and if the funding recipient is therefore not entitled to input tax deduction, the value-added tax can be considered as part of the costs eligible for funding.

4 Special Accounting Regulations According to Cost Types

4.1 Personnel Costs

4.1.1 Calculation of Personnel Costs

Personnel costs are to be budgeted for on the basis of gross salaries and wages, as well as of any taxes, duties and social security contributions relating to these (direct ancillary wage costs) for those project staff members who are actually deployed within the funded project. Project staff members who are not employed (contracts for work, freelance service contracts (*freie Dienstverträge*)), but are continuously working in the project, are to be treated according to the same rules as employed project staff (maximum rates, records of working hours). Accounts of staff members who only make sporadic contributions to the project (contracts for work) have to be shown on the books under services rendered by third parties.

Other payments or benefits in money's worth for staff can only be accounted for if they are provided generally and with legally binding effect by law, by collective bargaining agreement, or in a labour-management contract. Accordingly, voluntary bonuses, company cars, or individual gratuities, for example, are not eligible for funding.

All project staff members have to keep **records of working hours**.

The records of working hours have to include a sensible description of the activities funded that is attributed to the individual projects funded. The total volume of the working hours has to be credible, and needs to be plausibly justified above all if it is considerably higher than the normal volume of working hours.

Project staff members who work exclusively (100%) within the funded project can be accounted for with their full gross salaries or wages respectively.

If project staff members only work partly within the project funded, evidence of the project-specific services as well as of the personnel costs relating to them has to be provided by means of transparent records of working hours of the **overall** working hours.

The **hourly rate** for each project staff member is calculated by dividing the respective total personnel costs (salary, including direct ancillary wage costs) by the total working hours including overtime (working hours divisor), i.e. any overtime pay must only be attributed to a project on a pro-rata basis, not totally or disproportionately.

For reasons of simplification, a flat-rate annual 1,680 hours can be used as a working hours divisor in case of full-time employment (40 hrs / week). For overtime worked within the framework of labour regulations, the working hours divisor is to be increased by the extent of the amount of overtime worked. For project staff members with a lower amount of working hours, the working hours divisor has to be reduced according to the extent of employment (e.g. 1,617 hours for 38.5 weekly hours).

For **research institutions** according to the EU definition which cannot receive any basic funding from public funds, 1,500 hours per year can be used as the working hours divisor for full-time employment (40 hrs / week) for the calculation of the hourly rate for the project. A precondition is also that the difference to the minimum working hours divisor of 1,680 hours that is usually used otherwise within the FFG provably results from activities for supporting the research institution's research activity (e.g. for the distribution of research know-how, scientific training, etc.). For part-time employment as regulated in the employment contract, or for lump-sum overtime payments, the minimum working hours divisor is to be applied as decreased or increased on a pro-rata basis.

4.1.2 Upper Limits of Personnel Costs

Funding according to **RTD Directives**: The personnel costs are eligible for funding up to the amount of the guiding rates laid down respectively according to sub-paragraph 8 of the *"Verordnung des Bundesministers für Finanzen betreffenden Richtlinien für die Ermittlung und Darstellung der finanziellen Auswirkungen neuer rechtssetzender Maßnahmen"* (Decree of the Federal Minister of Finance Concerning Guidelines for Determining and Describing the Financial Effects of New Legislative Measures; Federal Law Gazette II No. 50/1999, Annex 3, as amended).

Funding according to **FFG Directives**: The personnel costs are only eligible for funding insofar as they are on the level customary in the respective trade and can be retraced through internal accounting. If the overall expenses for the funded project are carried predominantly by federal funds – i.e. the cash grant amounts to more than 50% of the recognised total project costs – personnel costs are also only eligible for funding up to the amount that corresponds to the salary scheme of the federal state for comparable civil servants. In this case, sub-paragraph 8 of the *"Verordnung des Bundesministers für Finanzen betreffenden Richtlinien für die Ermittlung und Darstellung der finanziellen Auswirkungen neuer rechtssetzender Maßnahmen"* (Decree of the Federal Minister of Finance Concerning Guidelines for Determining and Describing the Financial Effects of New Legislative Measures) also applies.

The comparison chart below refers to the RTD Directives (generally) and to the FFG Directives, provided the cash grant amounts to more than 50% of the recognised total project costs. This table is a compilation of the possible attribution to functions by way of example:

2010

			According to Federal Law Gazette II No. 50/1999, Annex 3	Valorised Values			
Employees According to Function	Examples of Attribution to Function	Attribution to Group According to Decree	2005 Annual Personnel Costs (gross, incl. ancillary wage costs)	2010 Annual Personnel Costs (gross, including ancillary wage costs)	Hours per Year	2010 Valorised Hourly Rate	
Scientific Staff							
1st Management Level	Scientific Head	VB-HL-Höh. Dienst 1	104.277	117.614	1680	70,01	
	Deputy Scientific Head, Area Manager, etc.	VB-HL-Höh. Dienst 2	90.235	101.776	1680	60,58	
2nd Management Level	Key Scientist	VB-HL-Höh. Dienst 1	104.277	117.614	1680	70,01	
Key Scientist	Senior Scientist	VB-HL-Höh. Dienst 2	90.235	101.776	1680	60,58	
Senior Scientist	Junior Scientist	VB-HL-Höh. Dienst 3	76.192	85.937	1680	51,15	
Junior Scientist	Graduands & PhD Students	VB-HL-Höh. Dienst 3	76.192	85.937	1680	51,15	
Graduands & PhD Students	Administrative Staff						
1st Management Level	Executive Board	VB-HL-Höh. Dienst 1	104.277	117.614	1680	70,01	
2nd Management level	Assistant to the Board	VB-HL-Höh. Dienst 2	90.235	101.776	1680	60,58	
Key Administration	Controlling	VB-HL-Höh. Dienst 1	104.277	117.614	1680	70,01	
Senior Administration	Assistants	VB-VD-Gehob. Dienst 1	40.207	45.349	1680	26,99	
Junior Administration	Secretariat	VB-VD-Gehob. Dienst 2	40.207	45.349	1680	26,99	
Secretariat	Technicians/Skilled Workers	VB-VD-Gehob. Dienst 1	40.207	45.349	1680	26,99	
Technicians/Skilled Workers	Technician	VB-VD-Gehob. Dienst 1	40.207	45.349	1680	26,99	

in € per year

For planning purposes, the hourly rates can be adapted annually as follows: The hourly rates are based on the figures of the year 2005 (in accordance with Federal Law Gazette 2006). For the following years, an increase to the amount of the valorisation of public sector salaries has been implemented. For the year 2006, this increase amounted to 2.7 %, for the year 2007 to 2.35 %, for the year 2008 to 2.7 %, for the year 2009 to 3.55%, and for the year 2010 to 0.9% (for valorised values for 2010 see table above).

For planning the following years, a cautiously estimated valorisation can be used.

The maximum rates do not include any overhead costs.

4.1.3 Public Service Employees

In case public service employees (employees of the federal state, the federal provinces, and the municipalities) render services to a funded project, the respective costs can only be recognised as being eligible for funding in principle if double counting at the expense of public budgets can be excluded. This means that the personnel costs of persons already paid for by public funds cannot be accounted for again by way of a funded project.

Employees of universities are not considered as public service employees (4.1.2. applies).

In case the personnel costs of public service employees arise, or are accounted for respectively, within the framework of a contract (services rendered by third parties), the above restrictions do not apply.

4.1.4 Shareholders / Partners Working in the Project

Shareholders / partners who work in the project, but not to a considerable extent, are to be accounted for under the cost/overhead rate in principle.

Shareholders / partners working in the project (sole traders, partnerships, and shareholders with a share of more than 25% in companies limited by shares) who cannot provide evidence of any personnel costs, can be accounted for at a **hourly flat rate** of a maximum of EUR 35.— per hour (including overhead rate). In case this possibility of a detailed statement of account is used, a maximum of EUR 58,800.—can be accounted for per person per year.

For **small enterprises** (according to EU definition: max. 50 employees, max. EUR 10 million turnover, max. EUR 10 million annual balance), shareholders / partners working in the project can alternatively be budgeted for at the actual hourly rate of the most expensive employee with a corresponding qualification. Otherwise, in case it is not possible to compare the qualifications (e.g. in very small enterprises), the personnel categories and limits of the “Decree of the Federal Minister of Finance, Federal Law Gazette II No. 50/1999, Annex 3, as amended respectively” can be used alternatively. In case this possibility of a detailed statement of account is used, a maximum of EUR 58,800.— can be accounted for per person per year.

Employed minority partners/shareholders (up to 25% share in companies limited by shares) can be accounted for as employees (see 4.1.1.)

4.1.5 Overhead Costs

Overhead costs that arise directly through the (research) project can be claimed as an additional charge to the personnel costs in funding applications and in the project statements of account.

The overhead costs can either be assessed on a flat-rate basis at 20% of the personnel costs, or otherwise evidence of a higher rate can be provided by means of disclosing the calculation of overhead costs.

The overhead costs attributed to the project funded (e.g. for rent, electricity, cleaning, office supplies, secretarial staff) must not contain any costs that have already been assessed as individual costs or that are excluded from funding in principle (see 3. Principles Concerning Eligible Costs). Overhead costs not eligible for funding are also e.g.:

Additional costs of application to the FFG, face-to-face meetings at the FFG

Entertainment expenses

Advertising and marketing costs

PR costs

Distribution costs (mostly also vehicles fleet costs)

Reserves and accruals

Bad debt losses

Exchange differences

Accounting values of retired assets

Cases of damage

Expenses not relating to the period under review

Financing costs, interest

Evidence of the cost/overhead rate is to be provided in a transparent and plausible manner by means of disclosing the calculation. The overheads are to be attributed (e.g. according to working hours, salary costs, office space) to all cost centres that are to be considered for the enterprise (undertaking, agency), and not only to the funded project. In the course of an audit on site, the underlying accounts on which the calculations are based will be audited.

4.2 Other Individual Costs

4.2.1 Costs of Use of R&D Infrastructure

Costs of instruments and equipment are eligible for funding in so far, and as long as, they are used for the project (use of R&D Infrastructure). The pro-rata depreciation determined according to the principles of proper orderly accounting for the duration of the project can be assessed as costs eligible for funding.

In addition to the depreciation charges, machine hours, leasing costs (without interest) as well as other costs relating to the use of infrastructure that are periodically charged against, and can be attributed to, the research project, can be budgeted for.

Depreciation charges

The depreciation has to be calculated on the basis of the ordinary useful life. When calculating the depreciation charges required for the project, the use of R&D infrastructure in the project is to be taken into account on a pro-rata basis.

If a fixed asset has been financed partly or totally by funding, the shares of the depreciation that relate to the funding are not eligible for funding (avoiding double funding).

The costs of assets of low value can be budgeted for to the amount of the full purchasing costs.

Machine hours

The costs of the use of R&D infrastructure can be calculated by means of the periods of machine / facility utilisation multiplied by the corresponding machine hour rates. Proof of the project-relevant machine hours has to be provided by means of machine hours records.

The machine-hour rate as a rule consists of the depreciation charges, energy costs and space costs, tool costs, maintenance costs, as well as costs of auxiliary material and operating supplies. It is not possible to claim funding for imputed interest or depreciation charges on the basis of replacement values.

Leasing costs

The leasing instalments paid by the funding recipient to the lessor during the funding period, net of the interest included in the rates, are eligible for funding.

Other R&D Infrastructure Costs

These include e.g. licence costs, or maintenance costs for software and appliances. Funding can only be claimed if it is possible to attribute these costs exclusively to the project, and to restrict them to the funding period.

4.2.2 Travel Costs

With travel costs, evidence of an unequivocal relation to the project beyond all doubt has to be provided.

Travel costs (daily allowances, expenses for overnight accommodation, travelling expenses) are eligible if they can be claimed as business expenses according to tax law regulations, or – for projects with more than 50% funding from federal funds (cash grant) – if they are in accordance with the *Reisegebührevorschrift* (Travel Allowance Regulation) of public service employees.

4.2.3 Costs of Materials

In addition to material used for experiments, this cost category includes amongst others also costs of materials of prototypes.

Technical know-how and patents acquired directly or through as a licence from third parties at market prices are eligible for funding. Current costs for maintaining patents are not eligible for funding in general.

If necessary, regulations for taking over costs within the framework of patent registrations are defined in more detail in the Programme Guides.

4.2.4 Costs of Services Rendered by Third Parties

This cost category includes amongst others costs of contractual research, technical know-how, costs of technical advice and equivalent services that refer exclusively to the research activity, etc.

Funding recipients fulfilling the criteria of being a „contract-placing public authority“ according to the *BVergG (Bundesvergabegesetz – Federal Tendering Act)* have to comply with the provisions of the legal regulations for awarding contracts when they award contracts to third parties

If applicable, regulations concerning the eligibility and amount of costs of services rendered by third parties are defined in more detail in the Programme Guides.