



Financial and Administrative Guidelines for NGO Operating Grants

Version 2 February 2021

Updates compared to version of October 2015:

- Updating of the references to the articles of the General and Specific Conditions of new FPA and SGA templates (as of call 2017);
- Updating the threshold above which open tendering procedure is required;
- Additional information about declaration and eligibility of costs ();
- Further clarifications regarding personnel costs, and the usage of daily rates;
- Clarification about rental costs;
- Updating information about subcontracting costs, coverage, and its classification;
- Updating information regarding the no-profit rule;
- Clarification about the use of a reserve;
- Updating information about the payment scheme;
- Clarification about budget transfers;
- Updating links to the LIFE website.

PURPOSE OF THE GUIDELINES

These guidelines have been prepared to help proposers and beneficiaries under NGO calls of the LIFE programme understand:

- the financial and administrative provisions of the LIFE NGO specific operating grant agreement – hereinafter the “SGA” – when revising their proposal further to the 'revision points' communicated by EASME before the signature phase and when preparing their future financial reports;
- the administrative guidance for requesting changes to the SGA (i.e. amendments).

If the guidelines conflict with the provisions in the SGA, and/or with the Special Conditions - hereinafter SC - or General Conditions – hereinafter GC - of the Framework Partnership Agreement – hereinafter the “FPA” – , the latter (SGA and FPA) shall prevail.

I. COST REIMBURSEMENT

Funding is based on **cost-sharing**. This means that the Agency contributes up to a maximum percentage of the eligible costs incurred for the performance of the work, as defined in the grant agreement.

II. RELIABLE ACCOUNTING AND REPORTING SYSTEM

In order to prepare and ensure comprehensive and compliant financial reports, beneficiaries need to establish and operate, throughout all phases of the implementation of the work programme, a ***reliable system for collecting, recording and reporting financial transactions***. They will need to ***keep supporting documents related to these transactions*** to justify all actual costs incurred and income generated by the work programme. The accounting procedures must therefore permit a direct reconciliation of the costs and revenue declared in respect to the work programme with the corresponding supporting documents.

Original documents, especially accounting and tax records, stored on any appropriate medium, including digitalised originals in accordance with their national legislation, must be ***kept for five years*** after the date of payment of the balance of the Union contribution.

Further to the experience incurred on the management of NGO operating grants, it would be very helpful if the proposer/partner has a manual/reference document that lists all the current policies and procedures applicable within the entity. Procedures should also be updated when needed.

II.1 Time Registration System (for personnel not working fulltime on the work programme)

Beneficiaries must have **daily** records of all hours spent by a given person on the work programme **IF the given person is not allocated on a fulltime basis to the work programme**. Please note that the ***timesheet*** shall not only record the time spent on a specific action/work programme, but it ***shall reconcile the total working time*** of each person. The

purpose of recording the total hours actually worked by each person is to allow the Agency to verify the correct hourly/daily rate.

If a partner does not have a time registration system in place at the time that the grant agreement is signed, he should, as a minimum:

- establish registration and submission routines (ideally formal procedures) for the staff working on the work programme,
- introduce a validation routine (ideally a formal procedure) for the supervisors/line managers to certify the correctness of the timesheets.

It is recommended, but not obligatory, to start using the model timesheet available on the LIFE website in the LIFE toolbox found at <http://ec.europa.eu/environment/life/toolkit/pmtools/index.htm>. The template is normally used for action grants, but can also serve as example for the operating grants.

Beneficiaries are free to fine-tune the model, e.g. in order to provide a further break-down of the working time into different actions or tasks. However, any own-developed timesheet should at least contain equivalent information and should ensure that it provides a consolidated view of all working time of the employee concerned. Employing inappropriate or unreliable timesheets or time registration systems may jeopardize the eligibility of the personnel costs reported, resulting in a reduction in the eligible costs which may lead to a reduced payment amount or a recovery of payments previously made.

In practice, every partner must establish a time registration system that, as a minimum, includes at least the following elements:

- a) Clear identification or reference to the LIFE work programme.
- b) Clear identification of the employee.
- c) Clear identification of the year, month and day.
- d) Number of working time units worked for the LIFE action/work programme.
- e) Number of working time units worked for other EU-funded actions.
- f) Number of working time units worked in total by the person.
- g) Date and signature of the employee.
- h) Date and signature of the supervisor.

It is recommended that the work programme file contains a short description of the time registration system employed in particular for the registration and submission routines for the employees and the validation procedure for the supervisor/line manager. The timesheet should be updated in a timely manner – ideally every working day. The completed timesheet for a given month should be signed and approved also in a timely manner – e.g. during the first week of the following month. The timesheet of a project management or coordinator should be approved by her/his superior.

III. WHAT ARE ELIGIBLE COSTS?

III.1 To be eligible all costs must be:

- *actually incurred within the duration of the work programme* (i.e. your financial year for which the operating grant was received)

With the exception of:

- the request for payment of the balance and
- the corresponding supporting documents, i.e. final report on implementation of the action/work programme, final financial statement, certificate on the financial statements (if applicable);

- indicated in the *estimated operating budget* (Annex II of the SGA) or have been accepted by the Agency as technically justified and necessary to achieve the objectives of the action/work programme);

- in *connection with the work programme* as described in Annex I of the SGA;

- *necessary* for its implementation;

- *identifiable and verifiable*, in particular being recorded in the accounting records of the beneficiary and determined according to the applicable accounting standards of the country where the beneficiary is established and with the usual cost accounting practices of the beneficiary;

- in compliance with the requirements of applicable tax and social legislation; and

- reasonable, justified, and comply with the principle of sound financial management, in particular regarding economy and efficiency.

Costs related to specific cost categories will be further explained in section VI of this guide.

III.2 Actual costs as opposed to budgeted costs

"Budgeted" costs are used for establishing a budget estimate only. Once the work programme has started, only "actual" costs incurred must be used as a basis for completing the financial statements.

Incurred costs must be supported by evidence that they are actual. Where these conditions are not met, the amounts will be deemed to be ineligible. As a general rule, neither estimated amounts, nor budgeted amounts, are acceptable.

III.3 Non-recoverable VAT

In order to claim VAT, the beneficiary must provide the Agency upon request with a declaration from the national tax authorities certifying that the partner in question is NOT able

to recover VAT (fully or partially). This declaration should be kept in the work programme file and submitted to the Agency with the Final Report at the latest. In case the national tax authorities do not deliver such a certificate, the audit report can certify that VAT is not recoverable.

Please note that you will need to report on the actual VAT amount charged to the LIFE operating grant (this is a requirement derived from the LIFE regulation since the Agency will need to report on this). This requirement is for reporting purpose only and does not have an impact on the eligibility of the costs.

For NGOs that do not have an accounting system in which VAT is identifiable and it would take unreasonable efforts to keep track of it, we could accept estimates of VAT, based on reasonable percentage, according to the organisation's national rules. If a certificate on the financial statement has to be provided with the final financial statement, the auditor will have to confirm that the estimates declared are reasonable.

IV. WHAT ARE INELIGIBLE COSTS?

All costs that do not fulfil the criteria of 'eligible costs', including:

- return on capital;
- debt and debt service charges;
- provisions for losses or debts;
- interest owed;
- doubtful debts;
- exchange losses;
- costs of transfers from the Agency/Commission charged by the bank of a partner;
- costs declared by the partner under another action/operating grant financed from the Union budget. Such grants include grants awarded by a Member State and financed from the Union budget and grants awarded by bodies other than the Agency for the purpose of implementing the Union budget. In particular, if the partner receives an action grant financed by the EU or Euratom budget, it may not declare indirect costs for the period(s) covered by the operating grant, unless it can demonstrate that the operating grant does not cover any costs of the action and *on condition that the grant agreement concerned allows it*
- contributions in kind from third parties (including voluntary work);
- excessive or reckless expenditure (including unnecessary or wasteful outlays);
- deductible VAT

Frequently asked questions re. eligible costs

Are costs of member organisation eligible?

No, costs incurred by member organisations are not eligible. However, reimbursement of travel costs from representatives of member organisations could be eligible if they would be invited to meetings organised by the partner and their presence would be justified under the work programme. The cost would need to be incurred and therefore recorded in the partner's accounting system. It is suggested that the partner pays directly for these costs. Those costs should be reported under other costs category.

Invoicing between the partner and member organisations should be avoided since then the member organisation could be considered a 'subcontractor'.

In case member organisations would act as 'subcontractor', then the purchase of these services would need to respect the 'subcontracting' rules as well as the 'award of contract' rules (see Chapter V or VI.2). Partners need to make sure that the 'value for money' is demonstrated (having different offers in this case would be essential)!

Are costs for reimbursement of volunteers eligible?

Costs such as travel, subsistence, transport, food/beverages etc can be charged to the grant agreement as long as these costs are directly incurred on the project and encoded in the accounting system of the organisation.

Can in-kind work be reimbursed?

No, in-kind contributions are not considered eligible costs.

V. AWARD OF CONTRACTS

As mentioned in the SGA, if the work programme requires the procurement of goods, works or services, the beneficiaries shall award the contract to the ***tender offering best value for money*** or, as appropriate, to the tender offering the ***lowest price***. In doing so, they shall ***avoid any conflict of interests***.

Please note that the Agency is not imposing the EU public procurement rules on non-public beneficiaries. Unless otherwise stipulated in the SGA, beneficiaries are in principle free to organise the procurement in their usual way as long as they respect the criteria on 'best value for money or lowest price' and 'absence of conflict of interest'. However, beneficiaries should keep in their action file a short description of the tender rules (including their internal guidelines for selecting contractors if any) and the regulatory references used within the action.

In all cases, including cases where it does not make sense to organise a formal tendering process (e.g. monopoly situation), this should be substantiated with supporting documents in the work programme file.

Beneficiaries should ensure and be able to demonstrate that their tender procedures for the selection of suppliers/subcontractors comply with:

- the principles of 'best value for money' and 'no conflict of interest'

- the principles of transparency, proportionality, equal treatment, and non-discrimination of potential contractors
- the requirement to request three offers from three different companies when the value of a procurement contract exceeds EUR 60,000. It should be noted that contracts may not be split in smaller contracts only for the purpose of avoiding the requirement of asking for competitive price offers.
- the requirement to publish a call for tender in a legal publication or in the Official Journal of the European Union when the value of a procurement contract exceeds:
 - EUR 125,000 for calls 2014, 2015 and 2016,
 - EUR 135,000 for call 2017 to call 2020,

These conditions also apply, if the partner contracts a member organisation.

In case the partner would not be allowed to publish in an Official Journal or equivalent in its country, then (a) publication(s) that generate(s) sufficient tenderers can be applied.

Beneficiaries should ensure that the awarded contract is back-to-back with the grant agreement (i.e. that certain conditions – as clearly specified in the SGA – are also applicable to the contractor).

For each contract it is recommended to keep in the work programme file the following:

- Short description and justification of the selection procedure employed with reference to the statutory documents, if applicable,
- Copy of the report from the selection committee, if relevant, or internal memo justifying the choice of the contractor,
- Copy of the contract,
- Short description of the service/item purchased,
- Explanation if invoice amounts differ from the contractual amount (particularly where the invoiced amount exceeds contracted amounts),
- Certification by the internal auditor, if relevant, for any unusual tendering procedures.

VI. COST CATEGORIES

VI.1 PERSONNEL COSTS

The *costs of personnel* comprises:

- **actual salaries** plus **social security contributions**;
- **other statutory costs** included in the remuneration, provided that these costs are in line with the beneficiary's usual policy on remuneration;

Or for non-employees:

- costs resulting from **specific work contracts** (when applicable)

Please note that the cost of personnel should not contain costs that are deemed to be included in the so called 'overheads', these type of costs would need to be charged separately under the 'other cost' category.

'Personnel' means:

- persons working under an employment contract with the beneficiary or an equivalent appointing act and assigned to the action.

- natural persons¹ working under a contract with the beneficiary other than an employment contract (e.g. civil contracts, free-lance contracts, expert contracts, service contracts with self-employed persons) or who are seconded to the beneficiary by a third party against payment, provided that the following conditions are fulfilled:

- (i) the person works under conditions similar to those of an employee (in particular regarding the way the work is organised, the tasks that are performed and the premises where they are performed);
- (ii) the result of the work belongs to the partner (unless exceptionally agreed otherwise);
- (iii) the amount of time the natural person shall work for the SGA work programme and either the hourly rate or the total amount of retribution are specified in the consultancy contract; and
- (iv) the costs are not significantly different from the costs of staff performing similar tasks under an employment contract with the partner.

Those costs include actual salaries plus social security contributions and other statutory costs included in the remuneration. They may also comprise additional remunerations, including payments on the basis of supplementary contracts, regardless of the nature of those contracts, provided that they are paid in a consistent manner whenever the same kind of work or expertise is required, independently from the source of funding used;

It is recommended to have a *description of the tasks* of the persons involved in the action or at least a 'who does what'.

Direct personnel that comply with Article II.19 GC of the FPA are eligible provided that they are charged on the basis of the following methods:

Method 1 – Gross Salary

For the personnel working full time for the work programme, the gross salary cost (as incurred and registered in the accounting system) can be charged to the operating grant. Standard time of 215 days could be used

¹ Please note that the notion of "natural person" encompasses single-member companies which do not have a legal personality separate from their member (the consultant). However, it does not encompass companies with their own legal personality, even if owned only by the consultant working on the action.

Method 2 - Daily rate times actual hours worked (personnel not working full time for the work programme)

The following three elements must be known in order to calculate the cost per employee that can be charged to the action on the basis of the hours actually worked on the action:

A) Annual productive time

The total annual productive time for each employee is the time actually worked according to the time registration system. It will normally result in a different number of annual working time units for each employee.

The following time is considered 'non-productive' and should not be included in the total: holidays actually taken, bank holidays, flexitime compensation, week-ends, parental leave, sickness or other similar absences. However, if due to the character of the work, some of it has to be done during bank holidays or on weekends, this time should be included in the productive time. Time used on meeting activities, training and similar activities is considered as productive time.

B) Actual salary

These must be taken from the payroll and should be the total gross remuneration plus the employer's portion of social charges. Remuneration costs should be calculated individually for each employee.

Please note that the annual gross salary should not be calculated on the basis of a monthly salary times 12. If an employee has not worked a full calendar year the gross salary should not be extrapolated to a yearly figure, but in such cases the annual productive time should reflect the period in which the employee has actually worked, i.e. for which he or she has received the salary reported.

When establishing the annual personnel costs the following elements should be considered:

Item	Text
1	Annual gross salary including 13 th and 14 th salaries, if applicable.
+ 2	Holiday allowance, if not included in #1 above
+ 3	Obligatory/compulsory social charges imposed by law, such as pension schemes, health schemes, insurance schemes, contribution to labour market funds, etc
+ 4	Pension schemes according to general trade union agreements
+ 5	Company specific pension schemes (that existed before the submission of project proposal) if offered to all employees in a non-discriminatory manner
- 6	Compensation received from insurance or other schemes in case of sickness, maternity leave, re-employment schemes to reactivate unemployed people, etc
=	Annual personnel cost (sum of 1-5 minus 6)

Estimations or average salaries cannot be accepted. The rates indicated in the work programme budget in the grant agreement are only indicative and cannot be the default reference when reporting personnel costs.

C) Working time

Only the costs of the actual days worked on the work programme may be charged. The actual days that each employee spends working on the work programme shall be recorded using timesheets or an equivalent time registration system established and certified by the employee and the employer. For staff working on tasks other than the LIFE action/work programme concerned for the same employer, any working time spent on professional tasks unrelated to the action/work programme shall also be recorded. See section II.1 of this document for further information on what constitutes a reliable time registration system.

Calculation of the daily rate:

The daily rate is obtained by dividing the actual annual gross salary or wages plus obligatory social charges and any other statutory costs included in the remuneration of an employee by the total annual productive time in days.

Method 3 - Specific work contracts – natural persons

Personnel costs may be charged on the basis of such contracts, on condition that contract is in accordance with normal practise of the partner and the applicable legislation, that the rate is in line with the level of competence required for the position and with other similar beneficiaries or projects, that the contract is detailed enough and in particular specifies the amount of time the natural person shall work under this contract and either the hourly rate or the total amount for the contract. If the contract is not for a lump sum payment, the employee is still required to record the time worked on the work programme and on other activities, as described above.

Moreover, for direct personnel costs to be considered eligible, the cost must respect the eligibility criteria under Art. II.19 GC of the FPA.

Frequent misunderstandings

The daily rates included in the Annex II SGA do not constitute 'agreed' daily rates, they are only to be considered as 'estimates'.

The financial reports to be submitted on the work programme should present the actual costs incurred and therefore use the actual rates, recalculated on the basis of the real personnel costs paid. These actual costs need to be evidenced by the corresponding payslips, bank transfers, etc. - evidence which might be requested by the Agency on a case by case basis.

Only costs can be reimbursed and not prices that would normally be charged to customers when engaging in commercial activities (price = personnel cost + commercial uplift). Personnel costs will only be considered eligible if they are reasonable and justified, and if they accord with the principles of sound financial management (i.e. (i) they may not unnecessarily increase the cost of the work programme and (ii) substantial deviations from the average cost of similar labour in the country concerned must be justified and agreed by the Agency).

VI.2 EXTERNAL ASSISTANCE/SUBCONTRACTING

Subcontracting costs are eligible when:

- (i) The cost respects the eligibility criteria under Art. II.19 GC of the FPA;
- (ii) The "subcontract" is awarded in line with Art. II 11 GC of the FPA;
- (iii) It covers the implementation by a third party of tasks described in Annex I of the SGA;
- (iv) It covers the implementation of a limited part of the work programme, in principle limited to 35% of the total eligible costs unless a higher level is justified;
- (v) Justified having regard to the nature of the work programme and what is necessary for its implementation.

Prior written authorization by the Agency is required for award of contracts not explicitly foreseen in the agreed work programme UNLESS the budgetary change remains within the limit of 20% (budget shift) and taking into account that the scope of the work programme is not substantially altered (e.g. the task itself was already foreseen but under another category – in case of doubt or if they are substantial changes you may want to inform the Agency).

Beneficiaries that use subcontracting should ensure that:

- For SGA as of 2017, Articles II.4, II.5, II.6, II.7, II.8, II.9 and II.27 of the GC of the FPA are also applicable to the subcontractor;

- Subcontractor invoices bear when possible (e.g. when service only needed for this specific work programme), a clear reference to the LIFE work programme (i.e. number of grant) and to the order/subcontract issued by the beneficiaries;
- Subcontractor invoices are sufficiently detailed as to allow identification of single items covered by the service delivered (i.e. clear description and cost of each item).
- “Additional provisions on award of contracts and subcontracting”, as per Art.I.4 SC of the FPA, are respected (see also point V above).

When submitting the final financial statement and in case no certificate on the financial statements is needed (i.e. audit certificate), copies of the three highest invoices, and proof of their payment, for subcontracting must be submitted to Agency.

Copies of the other invoices (if any) may however, be requested on a case by case basis. In general, supporting documentation should be kept in the work programme file and provided at the Agency’s first request.

Examples of subcontracting ('external assistance') costs:

- creation of a website (maintenance of a website could go under 'other costs');
- printing services through an external print shop;
- interpretation services;
- publications;
- etc...

Please note that services required for the normal functioning of the organisation (cleaning of the offices, costs related to the bookkeeping firm, audit, maintenance of the website, general IT services, telephone, ...) can be included under 'other costs'

Frequent misunderstanding related to subcontracting:

Subcontracting to Member Organisations

If contracts/subcontracts are awarded by the partner to their members, it should be noted that they have to comply with the same ‘subcontracting’/’award of contract’ obligations as other third parties (no conflict of interest, best value for money, equal treatment of candidates...).

Subcontracting covering cross-cutting activities reported under other direct costs

It should be noted that the nature of the costs will determine the costs category, not the related activities. If a contract is concluded with a subcontractor, it should be considered as a sub-contract.

VL3 TRAVEL AND RELATED SUBSISTENCE ALLOWANCES

What are subsistence costs?

These costs are daily allowances or direct payment of meals, hotel costs, local transportation etc.

Travel and subsistence costs are eligible when:

- (i) The costs respect the eligibility criteria under Art. II.19 GC of the FPA and the rules on the award of contracts.
- (ii) They are charged in accordance with the internal rules of the partner. However :
 - Beneficiaries shall endeavour to travel in the most economical and environmentally friendly way – video conferencing must be considered as an alternative;
 - Meals related to travel / meetings of the beneficiaries are not to be charged if subsistence costs are already budgeted as per diem allowances.

Please note that travel costs of persons not directly working on the work programme (i.e. if not part of the personnel or natural persons under contract with the partner, e.g. invitees for conference speakers, volunteers, etc.) should be declared under the ‘other cost’ category. Travel costs related to subcontractors should be included in the subcontractor invoice and therefore declared under ‘external assistance’ / ‘subcontracting’ cost category.

VI.4 RENTAL

Costs related to rent are eligible when:

- (i) The costs respect the eligibility criteria under Art. II.19 GC of the FPA.
- (ii) The costs are directly linked with the implementation of the work programme. If not entirely linked, apply an allocation percentage to the part/surface - e.g. in case of rent of building - used for the work programme. We recommend to include a copy of the ‘allocation’ rules² in the work programme file.

When submitting the final financial statement and in case no certificate on the financial statements is needed (i.e. audit certificate), copies of the three highest invoices for rental must be submitted to the Agency. Copies of the other invoices (if any) may however, be requested on a case by case basis. In general, supporting documentation should be kept in the work programme file and provided at the Agency’s first request.

VI.5 EQUIPMENT AND DEPRECIATION

Costs related to equipment are eligible when:

- (i) The costs respect the eligibility criteria under Art. II.19 GC of the FPA.

² Allocation rules could be based on the productive time spent on the work-programme

- (ii) The costs are directly linked with the implementation of the work programme. If not entirely linked, apply an allocation percentage to the part used for the work programme. We recommend to include a copy of the 'allocation' rules in the work programme file.
- (iii) The equipment cost is calculated in accordance with the correct depreciation rate which must be in line with the partner's national/internal accounting rules. We suggest to include a copy of the depreciation rules in the work programme file;

When submitting the final financial statement and in case no certificate on the financial statements is needed (i.e. audit certificate), copies of the three highest invoices for equipment must be submitted to the Agency.

Copies of the other invoices (if any) may however, be requested on a case by case basis. In general, supporting documentation should be kept in the work programme file and provided at the Agency's first request.

Frequent misunderstanding related to depreciation:

Difference in depreciation, i.e. national accounting rules vs tax rules

In some EU countries, the tax authorities have granted companies the possibility to freely depreciate assets for tax purposes, as an extraordinary measure to foster investment and create jobs. In this framework, depreciation amounts declared for tax purposes can be different from depreciation amounts for accounting purposes. Please note that only depreciation costs in line with accounting rules of the partner are eligible. Accelerated depreciation costs in line with possible existing extraordinary tax measures are not acceptable, unless they are in line with the accounting rules. When there is divergence between the applicable tax rules and accounting rules, the accounting rules prevail.

Finance Leasing of equipment

Capital or Finance Leasing costs with the possibility to buy the equipment should be depreciated in your accountancy and therefore these costs should be charged under "Equipment". Operating Leasing costs without a possibility to buy cannot be depreciated in the balance sheets (please indicate when this is the case) and should be reported under 'Other costs' category.

VI.6 OTHER COSTS

What are other costs?

Other costs are those costs arising directly from requirements imposed by the specific grant agreement.

Other costs are eligible when:

The costs respect the eligibility criteria under Art. II.19 GC of the FPA.

Examples of other costs:

- costs of audit certificates if required by the grant agreement;
- costs related to dissemination of information and reproduction;
- costs related to specific evaluation of the work programme;
- charges for financial guarantees if required by the grant agreement;
- bank charges of the co-ordinating beneficiary related to opening a specific bank account for the grant agreement (unless already included in the indirect costs);
- subscription fees for fairs and events/conferences;
- costs of organising seminars, workshops, conferences (unless a subcontract has been concluded with a service provider, in which case these costs should be charged under “Subcontracting”);
- travel and subsistence allowances of persons who are not under personnel costs (conference speakers, volunteers...);
- services required for the normal functioning of the organisation (cleaning of the offices, costs related to the bookkeeping firm, audit, maintenance of the website, general IT services, telephone, ...).

Furthermore, it may include all the structural and support costs of an administrative, technical and logistical nature which are needed for the operation of the partner’s various activities of the work programme and the running costs of the organisation, such as communication costs (telephone, fax, internet & e-mail, postage), insurance, maintenance of office equipment, consumable and supplies, bank charges, etc...

When submitting the final financial statement and in case no certificate on the financial statements is needed (i.e. audit certificate), copies of the three highest invoices, and proof of their payment, for other costs must be submitted to the Agency.

Copies of the other invoices (if any) may however, be requested on a case by case basis. In general, supporting documentation should be kept in the work programme file and provided at the Agency’s first request.

VII. REVENUES

Any revenue generated by the work programme needs to be recorded and must be reported to the Agency at the latest in the final financial report.

Account must be taken of revenue which is:

- **established** (revenue that has been collected and entered in the accounts),
- **generated or confirmed** (revenue that has not yet been collected but which has been generated or for which the participant has a commitment or written confirmation) **on the date when the request for payment of the balance of the grant is established.**

Revenue can be, for example, fees charged to third parties to attend conferences or training events.

You are allowed to generate income, even DURING the work programme. You may use it, for instance, as matched funding to the funding you receive from the Union. All income generated by the work programme as well as all financial contributions assigned by the donors to the financing of the eligible costs shall be declared in the final financial report.

If you would make net profit during the work programme, the Union funding will be reduced accordingly, based on the EU funding percentage.

As of call 2019, the no-profit rule³ is not applicable anymore to not-for-profit organisations, therefore those reductions⁴ related to profit won't apply anymore.

Frequently asked questions related to income

Can membership fees be part of the own funding?

Yes, this is a common source of own funds.

VIII. RESERVES

Building-up a reserve with funds allocated or generated by the work programme is not permitted. However, beneficiaries could be allowed to build-up such a reserve in exceptional circumstances, in particular when it is **justified by a legal requirement/law, and/or a pre-existing board decision (i.e. prior to the signing of the operating grant agreement)**. In any case, beneficiaries must be able to demonstrate that the resources used for the reserve are (i) separated from the work programme; (ii) mentioned explicitly in the Annex II of the SGA estimated budget (meaning ex-ante); and (iii) registered correctly in their accounting system (meaning ex-post).

IX. FINANCIAL GUARANTEES (IF REQUESTED)

Where required by the grant agreement, the partner concerned shall provide a financial guarantee from a bank or an approved financial institution established in one of the Member States of the European Union.

X. CERTIFICATE ON THE FINANCIAL STATEMENTS AND ACCOUNTS

When is it needed?

³ The grant may not produce a profit for the partner, unless specified otherwise within Article I.9 SC of the FPA.

⁴ As per Article II.25.3 GC of the FPA.

For each work programme for which the total contribution in the form of reimbursement of actual costs is at least EUR 100 000, as referred to in Article I.3 of grant agreement (for call 2014) or in Article 3.2 of the SGA (for call 2015 and subsequent calls).

What should be included?

The certificate should be drawn up in accordance with Annex VI of the FPA. The template is available in the LIFE website

Terms of reference for an independent report of factual findings and independent report of factual findings on costs claimed under a SGA financed by the Agency need to be submitted.

Who should produce it?

The Independent Report of Factual Findings should be provided by the auditor based on the compulsory template provided in Annex VI of the FPA. The Terms of Reference model included in the said Annex VI is optional and serves as example for the beneficiary that he/she can use when concluding an agreement with his/her auditor.

XI. PAYMENT SCHEME

The grant to the work programme shall be paid as stipulated in your grant agreement (Article I.4 of grant agreement or Article 4.1 of specific grant agreement).

Payments will occur in accordance with the provisions of Articles 4 and 5 of the SGA, as well as Articles II.24 and II.25 of the general conditions of the FPA.

If the partner cannot provide us with the final report within 2 months after work-programme end, he/she shall inform EASME, who may grant one (1) additional month delay upon request for organisations.

As of call 2018, the partner has 3 months to submit the Final report (Art. 4.4 SGA).

XII. REPORTING

Templates to be used for the technical and the financial reporting are available on the LIFE website, under "*manage your project*" at: <https://ec.europa.eu/life>

XIII. CHANGES TO THE GRANT AGREEMENT (AMENDMENTS)

Please note that every amendment is a time-consuming process and leads to more administrative burden, so please make sure that you provide correct information before signing the grant agreement.

Amendments shall have neither the purpose nor the effect of making changes to the grant agreement which might call into question the grant award decision.

Only substantial changes require a formal amendment of the grant agreement and will only be accepted in duly justified cases. Amendments can be done in 2 ways, either by contract amendment or by a simple letter amendment (minor changes can be agreed by e-mail).

Substantial amendments to the grant agreement require the signature of both, the Agency and the partner.

Amendment requests should be submitted at least 1 month before work programme end date.

Examples of substantial changes that require a formal ‘amendment to the Grant Agreement’ are:

- (a) Significant changes to the nature of actions or deliverables;
- (b) Changes of the legal status of the partner;
- (e) Changes to the estimated budget, shifting more than 20 % of the total eligible costs of the work programme between cost categories (in this case, new Annex III will have to be submitted).

Changes that require a letter amendment :

- (a) Change of bank account
- (b) Change of legal address

Also a simple change of name might need an amendment, as sometimes the legal set-up changes, and not only the name

Changes that can be accepted by e-mail :

Non-substantial changes and changes to the content of actions or deliverables that improve the quality or quantity of the results achieved in relation to the foreseen actions, deliverables and/or targets, without modifying their nature nor affecting their overall cost-benefit ratio are considered to be minor changes. Minor changes can be accepted by the Agency by e-mail, by factual acceptance or through the acceptance of the eligibility of the related actual costs at the time of final payment.

XIV. BUDGET TRANSFERS

Transfers of budget between costs categories is allowed without amendment, as long as the amount involved is lower than or equal to 20% of total eligible costs of work-programme (see Article I.8 of grant agreement for call 2014 and Article I.5 FPA far call 2015).

No prior approval from the Agency is needed unless it concerns substantial changes to the work programme. In case of doubt, please contact the Agency.

In case of deviation from the budget breakdown per cost categories, justifications should be submitted together with the final report. If those actual costs prove to be eligible, and if the maximum amount of the Grant is respected as per Article 3 of the SGA, the Agency will endeavour to cover any eligible incurred costs, through transfers of budget between costs categories, up to a limit of 20% of total eligible costs of work-programme.

XV. NO OVERHEADS FOR ACTION GRANTS

Please see also point IV “What are ineligible costs” (in particular eighth indent). Possible double declaration of costs may arise especially in connection with overheads or staff costs.

In case both an action grant and an operating grant are awarded to the partner, no overheads can be charged to the action grant for the duration of the operating grant unless otherwise agreed in the action grant agreement;

On the other hand, the operating grant would not cover overheads related to non EU funded activities outside the scope of the work programme. A distinction shall be made at the level of specific expenditures between the activities under the work programme covered by the grant and other activities in order to establish a basis for an allocation of costs.