

Annex 5 to the TRAC EC-FP7 Guidance

Frequently Asked Questions

The following FAQs change or add to the TRAC EC-FP7 Guidance. They have arisen as institutions have started to consider implementing the methods, during the workshops, or as the EC itself has issued new guidance.

Q1. What is the latest eligibility criteria to be able to apply for a Certificate on the Methodology?

A1. The Commission has now agreed¹ the following:

- to keep the FP6 eligibility criteria: at least 8 participations in FP6 contracts with an EC contribution equal or above EUR 375,000, and
- to add criteria for the beneficiaries who did not meet the above FP6 criteria but would meet :
 - either at least 4 participations in FP7 Grant Agreements signed before the 1st January 2010 with an EC contribution equal or above EUR 375,000,
 - or, at least 8 participations in FP7 Grant Agreements with an EC contribution equal or above EUR 375,000 at anytime during the implementation of the FP7.

Q2. When I move to TRAC EC-FP7 do I use it on all projects from then on?

A2. Yes, apply the same methodology to all projects that are pre-contract stage. You do not have to back-date this to cover existing contracts, or to re-cost them.

Q3. Do you need to apply TRAC EC-FP7 before you apply for a Certificate on the Methodology?

A3. Yes. You need to have been actively using TRAC EC-FP7 on at least one project before you apply for a CoM. Part of the audit procedures include looking at the results of your costing methods for a project.

Q4. Can you apply TRAC EC-FP7 and not apply for a Certificate on the Methodology?

A4. Yes. A Certificate on the Methodology is optional (however, see Q5). It is there to give the institution assurance. However, without a CoM in place, the indirect cost methods may be reviewed as part of every Certificate on the Financial Statements, and it would be more cost effective, and provide more reassurance to the institution, if they had a CoM.

Q5. Do I need to ask for approval of a CoM on my average personnel cost method?

A5. Yes. And you need to obtain this approval before you apply any average personnel costs to a project. Until you have this approval you need to apply actual personnel costs.

¹ Certificates issued by external auditors. Guidance Notes for Beneficiaries and Auditors. Materials prepared by the Working Group on Certificate on the Methodology under FP7. Version 25 July 2013

("The beneficiary is obliged to use actual costs per person until the Commission approves the proposed average methodology"²)

Q6. What happens if the auditors find something amiss during their QAV audit?

A6. The TRAC methods should be amended to ensure that the institution is in compliance with the TRAC/fEC requirements. If the methods are not corrected, then this may need to be reflected in the 'statement to be made by the beneficiary' or 'factual findings' (Annex VII Form E (part)) for that institution.

Q7. How do I calculate the GDP expenditure deflator?

A7. The deflator should be applied to the whole year and can be accessed at HM Treasury website..The first example on <https://www.gov.uk/government/publications/gdp-deflators-at-market-prices-and-money-gdp-march-2013> may be helpful. The whole year applies irrespective of when the project finished during its final year.

The deflator relates to H M Treasury year-end (March) which is different from universities' year-ends (July). This timing difference can be ignored (and the deflator for the year to March 2013 just applied to the costs for the year to July 2013, for example), or the costs can be split into 8 months (August to March) and 4 months (April to July) and the deflators for the two separate years can be used.

Where necessary, forecast GDP deflators can be used (provided by the Office for National Statistics, on the Treasury website, above).

Q8. When exactly do academics (and other staff on FP7 projects) need to start completing timesheets under TRAC EC-FP7?

A8. Please note that this advice applies to organisations using TRAC EC-FP7. Organisations that do not use TRAC EC-FP7 will require a reliable way of measuring working time on a project for the duration of that project's Grant Agreement. If you are not using TRAC EC-FP7 you should refer to the guidance on personnel costs and time recording provided in the FP7 Guide to Financial Issues (version 18/03/2013) on page 55-63.

Timesheet Guidance for TRAC EC-FP7

There are two reasons why timesheets are required. Firstly, to charge time to a project, and secondly, to determine the annual productive hours that are used to calculate the personnel charge-out rates (annual salary/annual productive hours). This second, equally important, use of timesheets under TRAC EC-FP7 means that timesheets will need to be completed for longer than just for the duration of that project's Grant Agreement.

For TRAC EC-FP7, the point in time that timesheets must start to be completed depends on whether institutions are calculating average personnel charge-out rates (e.g. based on pay groups), or individual charge-out rates.

² Guidance Notes for Beneficiaries and Auditors. Materials prepared by the Working Group on Certificate on the Methodology under FP7. Version 25 July 2013 Page 80.

a) average personnel charge-out rates

All staff working on FP7 projects should start completing timesheets at the start of the negotiation stage i.e. after application. This may be before the co-ordinator or the EC have signed the contract, but will be after award.

Some institutions may find it difficult to ensure that their academics start completing timesheets at this early stage. This is an important requirement from the EC, and they need to put in place procedures that will remind or check that this is happening.

If a university employee did not know at the start of the negotiation stage that they would be working on that project then they should start to complete timesheets as soon as they became aware. No backdated timesheets are necessary.

If a university employee knows at the time of the award that they will be working on the project only in year 3 (say) then they should start completing timesheets immediately (at the start of the negotiation stage), and not just in year 3.

Note that timesheets must be completed by staff until the end of the institution's financial year in which they have finished their work on any FP7 project.

b) individual personnel charge-out rates

Staff working on the project in year one should again start completing timesheets at the start of the negotiation stage i.e. after application.

Staff starting to work on FP7 projects after year one should start to complete timesheets at the beginning of the financial year in which they start work on the project.

Again, all staff must complete timesheets until the end of the institution's financial year in which they have finished their work on any FP7 project.

Q9. Where should academics record their management time?

A9. Some management time falls within the category of 'management' activity that is separately identified in a FP7 project budget. This needs to meet the criteria for this activity (as set out on page 18 of Annex II of the General MGA) and does not include scientific management. Eligible management time should be recorded separately under the first category of time on the timesheet ("1(a), 1(b) etc: time on each Commission project, by activity (i.e. with reference to the relevant 'action' or 'work package')). This management work would of course relate specifically to that project.

All other management activities (as defined by TRAC) should be recorded under the second category of time ("2: time on management and administration").

Q10. Do PGR students working on a TRAC EC-FP7 project need to complete timesheets?

A10. Yes. PGR students who are working on a FP7 project costed and charged using TRAC EC-FP7, and whose stipends are being charged to that project should complete timesheets. Both estates and indirect costs should be applied to their time (or salary, depending on method chosen). If the FTE method of charging is being used then their time

should be weighted, as for TRAC/fEC. If the % salary method of charging is being used then this should be applied to their stipend (not to fees), but no weightings should be applied.

Q11. How do I identify irrecoverable duties?

A11. See Annex 5 "The exclusion of irrecoverable duties from indirect costs" describes what duties should be included and how they can be identified.

Q12. When calculating irrecoverable VAT do I still use the publicly-funded and non-publicly funded classifications?

A12. Yes, continue to use the example described in Annex 2 of the TRAC EC-FP7 Guidance as a basis. TRAC/fEC no longer formally classifies Research as PFR or NPR, but the classification given in Annex 2 is still relevant.

Note that the definition of the EC research sponsor type in TRAC/fEC is changing, to fall in line with HESA, with EC Government Bodies being combined with European Community grants. However, you should continue to use the classifications given in Annex 2.

Q13. What adjustments do I need to do to my research facility rates?

A13. Your policies on what to charge as a research facility would remain the same as for TRAC/fEC.

As only historical cost depreciation is allowed under TRAC EC-FP7, then the depreciation included in the rate, and any adjustment made to the estates cost pool, should reflect only this type of depreciation.

As for indirect cost rates, the actual costs incurred each year should be used to calculate actual cost rates – whether the facility is DI or DA, and is a MRF or a SRF. This will need to replace any facility rates that have been calculated using prior year, or estimated, costs.

Under TRAC/fEC, DI research facilities are charged on the basis of actual utilisation – this would continue (a timesheet similar to that for personnel costs could be used). Actual costs would then be charged to projects (when the information is available) based on actual utilisation.

Under TRAC/fEC DA research facilities are charged on the basis of estimated utilisation, as records of actual utilisation are not available. These are therefore considered to be similar to estates costs under TRAC EC-FP7. Therefore actual costs would replace the estimated costs (when the information is available), and the institution's allocation methods (used to make the original TRAC/fEC charges to projects) would continue to inform the allocation of these actual costs to projects.

Q14. And laboratory technician charges?

A14. These should be calculated exactly the same way as for TRAC/fEC.

Any DI technicians charged to projects need to complete timesheets. They will charge actual costs to a project, based on time spent.

DA charges for TRAC/fEC (whether pool or infrastructure) are usually based on past or estimated costs. Again, these will need to be replaced with actual costs for TRAC EC-FP7. As these staff do not complete timesheets, DA laboratory technician costs are considered part of the estates costs and the methods for their allocation to projects should be consistent with that of TRAC/fEC.

Note that no indirect costs are charged onto technicians' time.

Q15. How are TRAC EC-FP7 costs reported on the Certificate on the Financial Statements?

A15. Costs calculated using the TRAC EC-FP7 methods are of course included as eligible costs in each project's Certificate on the Financial Statement (CFS).

The adjustments to reflect actual indirect costs for prior years (replacing the estimated costs that had to be used before the actual costs were available) would be entered as 'prior year adjustments' on the Financial Statement.

If the Financial Statement straddles two of an institution's financial years then the costs will need to be split to reflect the different indirect cost rates in those two years.

If you have an approved CoM (covering both personnel and indirect costs) then the obligation to provide an intermediate CFS (whenever the EUR 375,000 threshold is reached) is waived. This applies whether the CoM covers the methods for actual personnel costs or average personnel costs.