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The Commission is changing the way in which beneficiaries of Horizon Europe funds can claim the cost 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 2020, the Commission allowed the beneficiaries to claim the costs of internally invoiced goods and services on the basis of a unit cost, which had to be created using the relevant components (e.g. personnel cost, depreciation cost of equipment, etc.). Such unit cost then had to be multiplied by the number of units used specifically on the project and the standard 25% flat rate for indirect costs in Horizon 2020 was automatically applied to the unit cost. Further information about this can be found on p.101-104 of the Horizon 2020 Annotated Modal Grant Agreement.

In Horizon Europe, to enable the beneficiary to recover more money under this specific cost category, it will be possible to include actual indirect costs allocated via key drivers in the unit cost calculation, instead of using the standard 25% flat rate for overheads.

**How to include actual indirect costs for internally invoiced goods and services in Horizon Europe projects?**

In order to do this, the Commission will require 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 will be able to 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. Organisations that do not yet have a methodology for calculating actual indirect costs may wish to establish one before the main Horizon Europe calls are launched.

An important point to note is that allocation keys resulting in a higher unit cost for the internally invoiced good or service when used in EU projects compared with other projects will not be accepted – the methodology must be used consistently, regardless of the source of funding.

Consequently, because the actual indirect costs are expected to be included in the unit cost for internally invoiced goods or services, they will not attract the 25% flat rate for indirect costs in the proposal's budget table.
Further information about this cost category under Horizon Europe can be found on p.31 of the draft Horizon Europe Model Grant Agreement (MGA). Please note, that this document has not yet been officially adopted by the Commission, which means that information included is, technically, still subject to change. The draft MGA was published last week to help inform applicants to the 2021 ERC Starting Grant call about the main rules of the programme. Its formal adoption is expected in time for the launch of the main Horizon Europe calls for proposals (currently expected around mid-April).

**Costs of internally invoiced goods and services in the 2021 ERC Starting Grant call**

Applicants to the recently launched 2021 ERC Starting Grant call are advised to take this change into account when costing their bids and not to be confused by the wording in the budget table on p.50 of the 2021 Guide for Applicants, which states: "D. Internally invoiced goods and services (no indirect costs)". As explained on p.21 of the same document, the 25% flat rate is simply not added to unit costs that already include indirect costs: "This includes the direct costs of the project plus a flat-rate financing of indirect costs calculated as 25% of the total eligible direct costs (excluding the direct eligible costs for subcontracting, financial support to third parties and any unit costs or lump sums which include indirect costs)."

UKRO recently organised two webinars on the 2021 ERC Starting Grant call. Recordings, slides and an FAQ sheet from those events are available here.

For further information on costing your bid for the 2021 ERC Starting Grant call, please contact your dedicated UKRO European Advisor, or the ERC National Contact Point Helpdesk at erc-uk@ukro.ac.uk.

ERC, HEU Novelties