

## Acceptable costs in SBO and TBM projects (COST MODEL)

### 1. Introduction

#### 1.1. Purpose of the cost model

This document contains important guidelines for:

- the preparation of a project budget (in the project application);
- possible budget shifts during the lifetime of the project;
- the preparation of the final settlement (financial report).

#### 1.2. Generally applicable principles

- The cost model uses real costs. For the project application, this means that the cost estimate must be as realistic as possible, based on the work plan. For the final settlement, only the costs actually incurred (for provision of the services) will be accepted by FWO. These costs must be assignable to the project.
- The project budget is prepared using a (mandatory) cost template. The template is used to provide the minimum information required for evaluation purposes. For the financial reporting, the host institution will receive another template from FWO (via [boekhouding@fwo.be](mailto:boekhouding@fwo.be)).
- Both during the project evaluation and the settlement, FWO may require additional information to be provided on the reported amounts. FWO may also conduct on-site audits.
- Budget and financial report are prepared for each applicant/contractant<sup>1</sup> at the level of the legal entity. If desired by the applicants, it is also allowed to prepare the budget at the level of the research group. In the case of a consortium, the main contractor will combine the project application and the subsequent reporting. The main contractor is responsible for timely reporting.
- If FWO finds that the submitted budget or financial report contains manifest inaccuracies, it may cut the project funding to zero euro and claim back any advances already paid, in accordance with the articles in the TBM or SBO regulations (see FWO website). In addition, the funding of other ongoing projects may be suspended. Finally, it may result in the handling of new project applications being suspended.

#### 1.3. Definitions

- The **project budget** is divided into a number of main categories. The determination of these categories is explained in chapter 2:
  - o direct staff costs;
  - o direct and indirect other costs;
  - o costs for large subcontracts (if any);
  - o large costs (if any).
- **Direct staff costs:** staff costs for tasks that are directly linked to the purpose of the project.
- **Gross annual salary:** the sum of 12 gross monthly salaries. This does not include the year-end (13th month's) bonus and the double holiday pay.

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<sup>1</sup> During the evaluation phase of the project proposals, the term *applicant* is used, whereas the term *contractant* is used during the phase of the project execution and during the utilisation phase.

- **Other costs:**
  - o **direct other costs** (also called operating costs) are directly assignable to the project. In the case of purchases that are not related exclusively to the project, a reasonable allocation key must be used.

Typical examples of direct other costs are:

  - costs for consumables and raw materials, for resources, for the consumption of tools, etc.;
  - IT costs including user licences for project specific applications;
  - Specialist training and literature, registration costs for seminars and the like;
  - travel costs, accommodation costs;
  - project specific subcontracts less than €8,500 (excl. VAT);
  - costs for depreciation of research equipment (depreciated in accordance with the accounting legislation). The eligible costs are the depreciation costs over the project duration and commensurate with their deployment on the project. The depreciation regime corresponds to the applicant's own accounting practice.
  - o **indirect other costs** (overhead) are real costs that are needed for implementation of the project, but that cannot be directly assigned to the project.
- **Costs for large subcontracts and extraordinarily large costs** may in some cases be separated from the other costs. They are explained in detail in 2.3 and 2.4.
- **Start date:** SBO projects have a fixed start date at 1 January. TBM projects have a fixed start date at 1 October.
- **Person-year:** 12 person-months = 100% = 1 person-year

The number of days/hours in a person-year may correspond to the organisation's own approach. The following minimum applies: 1 person-year = 210 days = 1596 hours.

## 2. Description of the different cost components

### 2.1. Direct staff costs

#### 2.1.1. General principles

- The calculation of the staff costs of the various project employees is described in 2.1.2. For projects submitted on a regular basis or for large-scale projects, organisations may choose to agree on a number of fixed salary categories (e.g., engineer, researcher, technician, lecturer) with the FWO, based on the real average gross wage costs and any non-statutory benefits per staff category that apply within their organisation. For this purpose, you should contact FWO. These agreements will each year be verified and updated as necessary. These wage costs will be used throughout the duration of the project and at the time of the final settlement. For the various years in the project duration, a previously agreed indexing system will be applied. Such agreements help to minimise the administrative burden and may expedite the processing of your file.
- The acceptable staff costs are calculated for knowledge-acquiring or utilisation preparing staff directly involved in the execution of the project. The employer is required to ensure that these persons are not double-financed by the government.
- Staff costs can be justified throughout the contractually defined project period, plus the following year. Costs, other than staff costs, can be incurred during two years after the end date of the project.

## 2.1.2. Calculation of staff costs

### A. Organisations using government pay scales for remuneration of their staff

University colleges, universities and public authorities remunerate their staff on the basis of fixed pay scales. The staff costs that are incorporated into the project budget are the most realistic estimate possible of the total annual staff costs, notably the gross salary, the legal obligations, and non-statutory benefits, if any, of the relevant employees over the project period. The non-statutory benefits accepted as cost are the same as those given in part B. Where wage data are not yet available, e.g., employees still to be recruited, the usual wage costs within the organisation for a similar profile will be used as basis. For large projects, staff categories may be used instead of an individual enumeration.

### B. Organisations working on the basis of market remuneration

The staff costs are calculated on the basis of the gross annual salary of the deployed employee. This amount is multiplied by a number that includes the legal obligations and the acceptable portion of non-statutory benefits. These total staff costs are then converted proportionally to their deployment on the project.

- Gross annual salary

When preparing the budget, the most realistic estimate possible of the gross annual salary is determined for each project employee. The estimate can be based on the gross annual salary of the previous year, or calculated, for example, by multiplying by 12 the most recent gross monthly salary preceding the project application. Where wage data are not yet available, e.g., employees still to be recruited, the usual gross salary within the organisation (or, where appropriate, the sector) for a similar profile will be used as basis. For large projects, staff categories may be used instead of an individual enumeration. This gross annual salary may be indexed for the estimation of the future project years.

- Legal obligations

The gross salary thus obtained is multiplied by 1.55. This multiplication covers all social charges such as employer's social security contributions, double holiday pay, year-end bonus.

- Non-statutory benefits

A limited number of non-statutory benefits may be charged as costs. If one or more of the following benefits are provided, the annual gross salary costs are multiplied by a surcharge depending on the size of the benefit. The various surcharges may be added together:

meal vouchers; employer's costs	0.02
commuter traffic (social subscription, bicycle allowance, etc.); employer's contribution OR company car; benefit in kind for the staff member	0.01 0.03
group insurance/pension plan, employer's contribution	0.06
hospitalisation insurance, employer's contribution	0.01

All other salary components (e.g., allowances for mobile phone, internet, PC, reimbursement of expenses, recruitment costs, etc.) are part of the indirect other costs.

*Numerical example*

*Employee with a gross annual salary of €30,000*

*a) annual wage costs without non-statutory benefits:*

*30,000 \* 1.55 = €46,500*

*b) annual wage costs with meal vouchers/company car/group insurance as non-statutory benefits:*

*30,000 \* 1.66 = €49,800*

*If the employee works on the project for 5 months, the staff costs will amount to a): €46,500 / 12 \* 5 = €19,375*

### **2.1.3. Justification and verification**

The initially intended project staffing may vary over the course of the project. The final settlement will be based on the actually incurred costs. More information can be found on [Regulations for Research Projects](#) (articles 35-43).

## **2.2. Other costs**

### **2.2.1. General principles**

The other costs must be real costs and related to the project. The total admissible amount for other costs is determined during the evaluation of the project application.

### **2.2.2. Calculation of the other costs**

The other costs are calculated by multiplying the number of deployed man-years by a fixed amount, which for 2018 has been set to max. €40,000/FTE<sup>2</sup>. The amount is fixed for the entire duration of the project.

The indirect costs included in the other costs can be estimated at maximum €20,000/FTE and need not be demonstrated in the reporting.

### **2.2.3. Justification and verification**

The realistic nature of the direct costs will be verified during the evaluation of the project proposal. This will be done primarily on the basis of the project description. If there is insufficient proof that the requested direct costs are needed for the proper execution of the project, the FWO may ask for additional information to be provided during the evaluation process. Applicants are required to include already in their project proposal a limited justification of the major cost items.

For the final settlement, one has to complete the template for the financial report. The FWO may ask for supporting documents of the costs incurred to be submitted for auditing purposes.

The amount of indirect costs per person-year (max. €20,000/FTE) approved during evaluation of the application will be retained for the final settlement. The portion of indirect other costs (overhead) is dependent on the effectively deployed manpower and may therefore at the time of the final settlement be higher or lower than initially budgeted. When less staff was deployed than planned, the share of indirect costs in the allowed project budget decreases. The budget space that is thus freed up may be filled with additional project-related costs, provided they are justified. If no additional costs can be demonstrated, the amount of the grant is reduced.

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<sup>2</sup> This amount is used as a maximum for calculation of the other costs. The amount accepted after evaluation may be less than this maximum if the real other costs are effectively lower.

### **2.3. Large subcontracts (maximum 30% of the total budget)**

#### **2.3.1. General principles**

A large subcontract may be charged separately from the other costs. For the applicant, the cost of a large subcontract must amount to at least €8,500 (VAT excluded). If not, the cost is part of the 'other costs'.

Third parties (companies, knowledge centres and research institutions) entrusted as (large) subcontractor with a task under the project on behalf of the applicant, must invoice at market price in accordance with the European legislation. If no market price is available, the organisation must provide its services at a price that covers the full costs plus a reasonable margin. Research institutions acting as subcontractors should preferably invoice on the basis of unit costs (e.g., per test, sample, run).

#### **2.3.2. Justification and verification**

Any large subcontract must be substantiated in the project application by means of a quotation, an invoice of a similar contract, or a substantiated cost estimate. The cost of the subcontracting must be specified in terms of person-months or any other available cost driver, and must be apparent from the work programme (i.e. be substantively justified). FWO may request access to the subcontracting agreement.

### **2.4. Large costs**

#### **2.4.1. General principles**

In exceptional cases a project may also include a special “large cost” that is separated from the other costs and specified in a separate section of the budget template.

A combination of several small cost items will not be accepted as “large cost”. Typical examples of large costs are:

- depreciation of large R&D investments (pilot installation, test infrastructure, etc.);
- expensive tests;
- rental of specific equipment;
- extraordinary material costs;
- wafer prices;
- lotturns;
- etc.

#### **2.4.2. Justification and verification**

Large costs must be thoroughly justified in the project proposal. They are clearly identifiable in a project budget and their nature is such that they cannot be considered as large subcontracting costs. The justification must demonstrate that the (maximum permissible) amount of 'other costs' in the project budget is not sufficient to absorb the 'large cost' and a clear breakdown of the large costs must be provided (using e.g., quotations, audit reports, etc.).

At the time of the final settlement, the financial report template is completed.

### **3. Cumulation with other government support**

For the calculation of the accepted support, other grants covering the same costs will be taken into account.

### **4. Cost shifts during the implementation**

#### **4.1. Shifts within the budget of a contractant**

In practice, the course of a project may vary from the initially planned course. To achieve the project objectives, each contractant has the freedom to optimally deploy their resources. Within the contractant's own budget, shifts between all cost categories are allowed after evaluation of the project: staff costs - (direct) other costs - large subcontracts - large costs. Approval by FWO takes place at the time of the final settlement, based on the financial report. The maximum admissible project budget per contractant may not be exceeded without prior approval from FWO.

#### **4.2. Shifts between contractants**

All shifts between budgets of contractants must be requested in advance and substantiated by actual figures (old versus new situation). All parties involved must sign the request. After approval by FWO, an addendum to the contract containing the adapted budget will be drawn up. The payment schedule will be adjusted accordingly. The total accepted project budget may not be exceeded.

### **5. Miscellaneous**

#### **5.1. Overview**

The following table (Appendix 1) provides a concise overview of the admissible cost items.

#### **5.2. Mandatory template for project budget in proposal and for final financial report**

The template is available as an Excel file on the FWO e-portal.

**Appendix 1: Overview diagram**

<b>staff costs</b>	<b>gross salary*(1.55 + surcharge, if any) or real costs</b>
<b>other costs</b>	<b>max. €40,000 * #FTE</b>
indirect other costs	of which max. €20,000 * #FTE (no justification)
direct other costs	limited justification in application
<b>Subcontracting</b>	
< €8,500	included in direct other costs
> €8,500	possible, max. 30% of total budget
<b>large costs</b>	Possible

- For both TBM and SBO projects, maximum 20% of the budget may be allocated to a non-Flemish contractant;
- moreover, for TBM, the cumulated share of Flemish hospitals or ITM (as a contractant) must amount to at least 10% of the total project budget.