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D3.5 Scenarios for in-kind contributions and criteria for their evaluation

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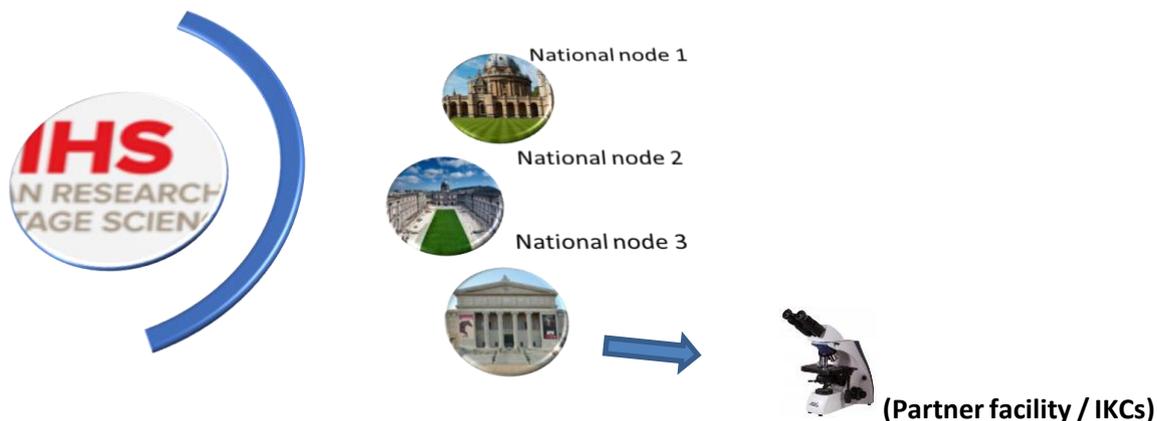
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Abstract

The complete assessment, the impact and cost/benefit ratio of the activities of E-RIHS, depends on the knowledge of the overall size of the **resources made available** by the E-RIHS Members through the appointed national nodes as well as on the value of the **resource specifically committed** to the activities of E-RIHS. In a broad sense, in-kind contributions represent the capital of European Research Infrastructure Consortia, whose Members, in the proper sense, are the Governments of the involved States.

Fig.1 IKCs schematization



The goal of E-RIHS, the European Research Infrastructure for Heritage Science, is to grow and strengthen a creative, European-wide framework for supporting frontier research in heritage science. It will do so by offering access to expertise, data and technologies through a standardized approach based on different modes of services organized in four platforms:

- ARCHLAB (access to heritage archives and collections);
- DIGILAB (remote access to data and tools for heritage research);
- FIXLAB (access to large-scale facilities and advanced laboratories);
- MOLAB (collections of mobile instruments enabling in-situ diagnostics).

The scope of D3.4 is represented by the identification of the main foreseeable types of in-kind contributions as well as by the definition of a methodology for the accounting of in-kind resources, taking into-account the specific needs of E-RIHS. According to the working plan defined in the Grant Agreement, at M24 a preliminary report has been delivered. This document represents the starting point of the present document, and it is in line with the following project WPs:

- Task 2.1 Governance structure of E-RIHS
- Task 3.1 Finance and budget
- Task 4.2 Statutes; task 4.3 Internal rules and procedures
- Task 6.1 Integrating E-RIHS in European funding instruments and joint programming initiatives
- Task 8.3 Catalogue of E-RIHS resources and services

All the activities described in the present document have been also performed on the basis of the following timetable:

- Definition of the working plan (2nd semester 2017) and its presentation during the project meetings.
- Submission of a questionnaire to the E-RIHS partner. (1st semester 2018)
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Document information

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| Abstract (for dissemination) | This deliverable describes the role of IKCs within a distributed research infrastructure as E-RIHS ERIC. It focuses on the definition of a methodology for the evaluation and accounting IKCs. |
| Keywords | IKCs, evaluation criteria, ERIC, distributed research infrastructures |

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DISCLAIMER:

This document reflects the state of advancement of the preparatory work at the time of its delivery. As such, its content may be subject to further evolution.

Table of contents

| | |
|--|----|
| Abstract | 2 |
| Document information | 3 |
| Table of contents | 4 |
| List of figures | 5 |
| Abbreviations | 5 |
| Narrative (technical) description | 6 |
| 1. In-kind contributions | 7 |
| 1.1 IKCs definition and relevance within ERICs context | 7 |
| 1.2 IKCs critical aspects..... | 8 |
| 1.3 Types of IKCs | 8 |
| 1.4 IKCs representation – Annual accounts / Annual report..... | 9 |
| 2. Evaluation criteria..... | 9 |
| 3. Processes and operative rules | 11 |
| 3.1 Methodology | 11 |
| 4. Guidelines / operative rules | 14 |
| 5. Potential benefits | 16 |
| 6. Accounting standards | 17 |
| References | 18 |

List of figures

Fig.1: IKCs schematization

Fig. 2: simplified funding model of E-RIHS ERIC

Abbreviations

IKCs: in-kind contributions (as resources committed)

National Node: the representing Entity of the individual State

PF: Partner Facility (as set of available resources)

ERIC: European Research Infrastructure Consortium

ERIC Regulation: Council Regulation (EC) No. 723/2009 of 25 June 2009

IPSAS: International Public Sector Accounting Standards

Narrative (technical) description

The main references of the present document are represented by the outcomes of Work Package (WP) 2 in which has been described the future governance structure of E-RIHS as an ERIC, as well as by the current draft version of the Statute of E-RIHS ERIC, provided by Marco Galeotti within WP4/T4.3 “Legal work” Internal Rules of Procedures. (draft 04.06.2019). A specific deliverable in WP2 has been submitted in January 2019, describing the roles and tasks of different bodies of the institution and the decision-making procedures they follow. (31.01.2019).

The Council Regulation (EC) No. 723/2009 of 25 June 2009 (hereinafter, the ERIC Regulation) created the legal framework laying down the requirements and procedures for and the effects of setting up a European Research Infrastructure Consortium (ERIC).

The scope of the Commission was to **support** and **develop the research infrastructures** by creating an appropriate **legal framework** to facilitate their establishment and functioning **at Community level**, joining the traditional support represented by grants in favor of established research infrastructure in a Member State.

In art.2 of the ERIC Regulation, a research infrastructure is defined as “facilities, resources and related services that are used by the scientific community to conduct top-level research in their respective fields and covers major scientific equipment or sets of instruments...”; in the same article, it is stated that such infrastructure can be “single-sited” or “distributed” (an organized network of resources). Art. 2 makes a clear reference, without overtly naming them, to the **in-kind contributions** (hereinafter IKCs) as a main resource to support the research and specialized scientific technical capacities and capabilities of an ERIC.

An explicit (and first) reference to the in-kind contributions can be found in the **ERIC Practical guidelines**. Commenting art.14 of the ERIC Regulation, the Directorate-General for Research stated that the Statutes might provide for contributions to be made in cash or in kind. In this document is stated that the statutes should also lay down the procedure for the Assembly of members **to decide on in-kind contributions** and to include them in the ERIC budget. The ERIC statute should also define **the procedure for assessing the value of in-kind contributions**.

In the ERIC Practical Guidelines, another important reference to the IKC is linked to **the liability of the Consortium**, extending the limited financial liability of the members for the debts of the ERIC to the in-kind contributions which are paid, provided or promised in a legally binding way. Art.14

The present document aims to define the structure of a methodology for **managing and reporting** the in-kind contributions within a **distributed research infrastructure** as E-RIHS - ERIC, in order **to account for** these data in the annual financial statements, or, as an alternative, in a separate document as additional statistical information.

1. In-kind contributions

1.1 IKCs definition and relevance within ERICs context

In-kind contributions are non-cash contributions in the form of **(durable and non-durable)** good, work, services, use of distributed resources, that typically support non-profit organizations. They refer to non-exchange transactions: an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without receiving approximately equal value in exchange.

IKCs may consist either in the direct supply of durable assets to an organization **(with transfer of ownership)**, or in an **expense** sustained directly by the National Nodes to the benefit of the ERIC in order to facilitate the achievement of its objectives **(without any transfer of ownership)**. This second case represents the typical situation of distributed research infrastructures like E-RISH ERIC.

The relevance of **IKCs** for **distributed research infrastructures** is strictly linked to the concept of **integration** stated by the ERIC Regulation; this concept can be represented through the following aspects:

- a) IKCs are direct consequence of the **ERICs model**; in the case of distributed research infrastructure, these organizations are explicitly defined as **“network of resources”**.
- b) IKCs are also direct consequence of the **scopes** of this kind of organizations, focused on strengthening a close **cooperation** between **Member States** and the Community in programming and implementing their respective **research activities** in a complementary manner; the IKCs could be crucial to support the financial sustainability of ERICs, using dedicated resources available within their community.

An appropriate **identification** and **representation** of the in-kind Contributions allows the understanding of the real overall values directly involved in an ERICs, and allows both the management of these organizations and the policy-makers, at Member’s Government level or EU level, to understand the specific and the overall impact of the PFs on CERIC activities.

In accordance with the ERICs model, in listing the resources available, in some ERICs Statute **the IKCs are properly highlighted**; with reference to CERIC-ERIC experience: in art.6 point 1 of its Statute the following is stated:

1. “Resources made available to CERIC-ERIC shall consist of:

*a. **contributions in-kind** by the Members or Representing Entities for ordinary activities of CERIC-ERIC. On consensus of the General Assembly, financial contributions by the Members or Representing Entities may also be made where the conditions and limits provided for in Article 12 are met*

*b. **contributions in-kind** and/or financial contributions by Members, Observers and/or other public or private entities for specific projects of CERIC-ERIC. The General Assembly shall approve specific projects and related liabilities pursuant to Article 9. Specific accounting provisions for the in-kind contributions shall apply.*

*f. **gratuities and grants such** as those from charities, lottery funds, no-profit entities. Subject to approval by the General Assembly, CERIC-ERIC shall be entitled to accept grants, special contributions, gifts, donations and other payments from any natural person or legal entity such as charity or a lottery fund for the tasks and activities set out in the Statutes.*

The **Budget** and the **Annual Accounts** of ERICs shall clearly detail the value of in-kind contributions planned to be used / used for common administrative, scientific and technical activities.

1.2 IKCs critical aspects

Even considering their relevance, in some cases, **in-kind contributions are not systematically (formally) recognized** as part of their overall financing contributions; the main reasons related to this aspect are listed as follows:

- technical complexities in evaluation/measurement;
- lack of understanding of the importance of providing this data;
- lack of effective monitoring and reporting;
- uncertainty about the effective implementation of this type of contributions;
- reluctance of auditors to provide their assurance on the amounts included in the financial statements.

Taking into consideration the above, in the following parts of the present document **2 different scenarios** have been proposed:

- a) IKCs as part of the financial statement of E-RIHS ERIC
- b) IKCs as statistical additional information (without representation in the financial statement of E-RIHS ERIC).

Independently of the approaches, an ERIC shall operate at different levels:

Operational level

The technical complexities in IKCs evaluation/measurement, as well as the lack of effective monitoring and reporting, for example, could be properly managed through a **commonly agreed methodology**, understood as a set of dedicated processes and resources.

Strategic level

The lack of understanding related to the importance of providing this data could be overcome if:

- the governments of the Member States would grant to their Representing Entities specific financial resources to strengthen their involvement in ERICs activities.
- the ERICs strategy is focused on attracting new sources of funding by using the IKCs provided by the Representing Entities.
- the voting rights are linked to the contributions (financial and in-kind) provided by the Member States through their Representing Entities. With reference to that, the ERIC Regulation was amended in 2013 to accommodate specific requests from associated countries focused on this matter.

1.3 Types of IKCs

A first classification of the in-kind contributions can be outlined through three basic types of in-kind donations: goods, services, and work of (people).

a) goods

In this category we could list the following items:

- durable goods;
- non-durable goods;

b) services / use of distributed resources

Here, a particular relevance has the definition of a methodology for the calculation of the **unit cost of the services** provided to an ERIC.

Within this category, we can make the following distinction:

- **b1) internal services provided by an entity to another entity (e.g. access to research infrastructures)**

According to the Scientific and technical description of E-RIHS ERIC, we can mention:

1. access services to instruments. (in terms of availability of some equipment)
2. access services to archives. (in terms of possibility of digging for data from archives that are not otherwise accessible to the public)
3. feeding of DIGILAB. (digital access databases of E-RIHS)
4. strategic research, education and diffusion actions for E-RIHS.

- **b2) external services provided by an entity to another entity**

1. use of *external* expert knowledge (the possibility of being helped by specialists in some field)
2. strategic research, education and diffusion actions for E-RIHS.
3. other services or goods directly supplied to E-RIHS. (in terms of paying for travel or subsistence for E-RIHS related work; supplying consumables or other goods; etc.)

c) Work (in terms of making available of personnel to the ERIC);

1. Use of *internal* expert knowledge (the possibility of being helped by specialists in some field)

1.4 IKCs representation – Annual accounts / Annual report

A **certified approach** is suggested whenever:

- a) the ERIC intend to provide a consistent and formal representation of the **activities developed**, including the IKCs in the **Annual accounts** of the ERICs.
- b) In-kind contributions are a strong lever to **develop a sustainable funding model** for ERICs, supporting, for example, specific projects externally funded.
- c) Even if this is an option not considered by the current version of E-RIHS Statute, in some cases, the IKC could be a means by which the **voting rights** are weighted within an ERIC.

A non-**certified approach** implies that the same information will be represented in the **Annual Report** of the activities performed as additional statistical information, without affecting the Annual Accounts of E-RIHS ERIC.

2. Evaluation criteria

In general, as already mentioned, an ERIC:

- 1) could receive a donation/contribution of goods or services from an external subject (individuals, public/private organization **different from** the Partner Facilities/National nodes);
- 2) could receive a contribution of goods and services from a Partner Facility/National node that:
 - 2.1) buys supplies, to support the activities of the ERIC.

2.2) provides an ERIC with **the use of a standard facility/standard instrument** whose in-kind value is equivalent to the cost of the service for a similar task for the time period in question. (e.g. a copier, a car, a room)

2.3) provides an ERIC with the use of a **specific facility/specific instrument** that could even be built by a research institution to meet its internal needs.

There are some important differences (and consequences) between the listed examples.

In **case 1** - in some cases there is not a bill documenting the cost of the standard service provided; this is true especially when a donation is made by individuals. Even when there is a bill, the documented value of the donation received could not correspond to its actual value. A professional assessment process is needed in order to define the **fair market values** of the goods received.

In case 2.1 - the in-kind contributions correspond to the amount spent on their purchase; there is an invoice that documents the value of the purchase. (**actual costs**).

In case 2.2 - also here probably there is an invoice/contract documenting the cost of the standard service provided (actual costs). In case of non-invoicing, an evaluation process needs a “market” through which the value of the IKC will be estimated. (**fair market values**)

Option 2.3 - in this case there is an additional complication. There is not a market through which the value of the IKC can be estimated. The “value” of the service provided should be calculated in accordance to a common system of rules agreed among the Partner Facilities and the highest governing body of the ERICs (General Assembly). (**Evaluation as a result of a negotiation process**)

Even in the presence of bills documenting the costs, there are some aspects for which a process based exclusively on actual costs could be sometimes useless, leading to underestimations/overestimation of the values conferred.

Some open issues: is it reasonable to estimate the IKC on the basis of the depreciation of the historical cost of an investment? In general, the scientific value of an instrument can differ from the purchasing cost. The same situation may occur comparing the cost and the value of a building.

And that’s not all: the cost of living and the labour cost is appreciably different from one country to another. Is it reasonable to evaluate one hour spent by a senior researcher in a given country differently from the same hour spent by a researcher (with the same qualifications) in another country?

In order to implement a methodology, the **choice of the most suitable criterion**, should be the result of an evaluation of the pro and cons referred to each option.

A) The evaluation of IKC based on **actual costs** depends on the price paid to the suppliers. For durable equipment, this means that all the investments are accounted on the basis of the historical cost; if we consider also the usage time, we should even consider the annual depreciation costs.

Benefits of the choice:

- Opportunity to include the values of IKC as part of a budget within projects externally funded, as criteria are allowed by the external funding agencies.
- The ease of use (no evaluation process is needed).

Limits of the choice:

- Typically the assets conferred in-kind represent long-lived assets whose future economic benefits are continuously restored or renewed through ongoing cyclical maintenance on their components. The actual costs could differ from the “value” of an investment, considering that the total asset lifecycle may be continuously extended.
- An evaluation of the investment based on the residual amount (Historical cost – depreciation), depends on the asset management planning process.

B) The evaluation based on **fair market value** depends on an existing market.

Benefits of the choice:

- The fair value method provides the users with a greater understanding of the value of assets and performance of the entity.

Limits of the choice:

- Often an open and liquid market does not exist.
- Another negative aspect is that this criterion is not allowed by the external funding agencies for reporting costs.

C) The evaluation of IKC based on **standard costs** depends on non-monetary parameters:

Benefits of the choice:

- Fairness

Limits of the choice:

- This criterion is not allowed by the external funding agencies for reporting costs.

3. Processes and operative rules

3.1 Methodology

The proposed methodology takes into consideration the characteristics of each option illustrated above, as well as the outputs resulting from the other WPs.

The methodology detailed in the present work, is based on:

A) the **mission** of E-RIHS.

E-RIHS ERIC mission is to deliver integrated access to expertise, data and technologies through a standardized approach, and to integrate world-leading European facilities into an organisation with a clear identity and a strong cohesive role within the global heritage science community.

B) the **structure of E-RISH ERIC**, as distributed research infrastructure. (see Fig.2)

E-RIHS ERIC will be a consortium with a formal structure and two operational levels:

- the Central Hub represents the ERIC and operates as the access point to the Research Infrastructure (RI);
- National Hubs operate at national levels in diverse legal frameworks and represent national associations of partner facilities.

C) the **feedbacks** of the partner institutions collected through a questionnaire submitted in the first semester 2018.

Based on the data collected through the questionnaire in 2018, 65% of respondents are involved in internal projects, partnership agreement, externally funded projects in which their organization provide contributions in kind. In 75% of the cases, the methodology applied is based on actual costs.

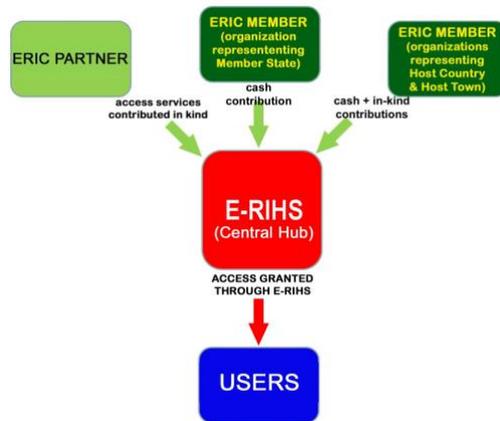


Fig.2 E-RIHS structure

With these premises, the suggested methodology is based on **actual costs**.

According to Art.10 of E-RIHS Statute, the General Assembly is in charge to adopt (through a specific deliberation) a **common accounting system of rules** for the **acceptance** of in kind-contributions, and their estimates.

“E-RIHS Statute - Article 10 - General Assembly

..... Budgetary and financial decisions shall require a majority of the votes, representing the majority of the annual membership contributions. These decisions include also the adoption of a framework for in-kind contributions.”

In order to achieve this goal, and according to Art. 9 - 13 of E-RIHS Statute (Draft – 04.06.2019), the implementation plan should involve:

- (a) the General Assembly
- (b) the Director General
- (c) the National Coordinators Committee
- (d) the Advisory Board

The **goals** of the outlined methodology are the following:

- a) the definition of the overall size of the resources/activities of the National hubs; **(resources available)**
- b) the definition of the value of the goods and services conferred for specific use within the activities of ERIC. **(IKCs – resources to be used/ used)**

The overall process is composed by a list of steps to be performed in order to measure and collect the IKCs and includes a Practical Guideline.

1st STEP -> Appointment of a National node within E-RIHS ERIC;

1a) Identification of the resources potentially available (National nodes with their respective Partner facilities)

The appointment process is described in the E-RIHS ERIC Statute, and in particular with reference to Art. 4 and Art 7.

E-RIHS Statute - Article 4 - Membership and Representing Entities

5. Any member or observer may be represented by one or several public entities or private entities with a public service mission, of its own choosing and appointed in accordance with its own rules and procedures.

E-RIHS Statute - Article 7 -Members

2. Each member shall:

(a) establish a National Hub of E-RIHS ERIC and promote the integration of its Heritage Science community under its coordination.

The definition of the facilities coordinated should be formally described in **Framework Agreements** between the E-RIHS ERIC and the National nodes.

1b) Identification of the planned resources / resources used (IKCs allocation and measurement)

Within the activities planned, and the resources committed within E-RIHS ERIC should be detailed in **Specific Agreements** agreed with each National Node, and constitute the core of the “in-kind contributions” of the Member Country for E-RIHS.

The in-kind contribution contracts should cover, the following issues:

- technical description of the activities performed;
- project plan, including time schedules, deliverables and milestones;
- total estimated value
- roles and responsibilities of the parties, and the delivering body
- rules for ownership transfer.

2nd STEP - Definition of a common set of rules to measure/report costs

In general terms, the following measures for reporting IKCs are recommended:

- the costs be **actually borne** by the RE/PF and must be necessary to achieve E-RIHS ERIC goals;
- the costs must be **supported by reporting tools** (time sheets or certification etc.)
- the costs must be **in line with** the administrative/scientific/technical activities agreed with the ERIC;
- the costs should be (if possible) **indicated in the budget** of the ERIC;
- the costs must comply with the applicable national law on taxes, labor and social security;
- the costs must be **reasonable**, justified and must **comply with the principle of sound financial management**, particularly as regards **economy and efficiency**;

If these values are intended to be represented in the Annual Accounts, in addition to the previous requirements, **another aspect** should be considered:

- the costs must be **audited**, in accordance with a common set of auditing principles (e.g. H2020 Indicative Audit Programme)

In order to achieve this goal, each RE/PF shall either:

- appoint, or refer to the Auditors of their own Institution/Organization;
- appoint external Auditors.

The auditors of the RE/PF shall be asked to prepare a report stating the values and the general condition for the evaluation and accounting of the IKC. In favour of an **audited approach**, it could be argued that in 83% of

the cases, answering to a specific question of the survey, the respondents replied that the IKCs conferred by their organization in other initiatives are audited.

3rd STEP – Provision the National nodes/partner facilities with the necessary resources.

In order to facilitate its implementation, the methodology should also contemplate:

- a) the **tools** necessary to collect the data in a single format that can be immediately used for accounting purposes.

The **Practical Guidelines** are composed by:

- **tables** through which to collect financial and even non-financial data, according to the Specific Agreements signed and to the different activities performed within each fiscal year.
- **instructions** on how to properly fill the tables;
- **forms** through which to describe the activities developed / to be developed;
- **indicators** that should be provided in order to evaluate the impact of the activities developed.

- b) the administrative support of the E-RIHS ERIC Central hub to the National Nodes /Partner Facilities.

According to E-RISH ERIC Statute - **Article 12**, the National Coordinators Committee represents the different entities involved in the National Hubs. It shall consist of National Coordinators appointed by the members, representing their own National Hub. The National Coordinators Committee shall have the task of:

..... report the nature and the value of national in-kind contributions and communicate them to the Director General.

4th STEP – Definition of the timing to report the data to the ERIC.

The deadline to provide the IKCs is linked to the timing of:

- the Budget / Financial Statements approval;
- the scientific evaluation of the activities performed with the IKCs conferred.

4. Guidelines / operative rules

Tables, forms and instructions shall be part of a specific and separate document. In this way, the guidelines can be changed at any time without modifying the process defined in the methodology.

The suggested methodology to collect, report and calculate the IKC is based on 3 **different analytical approaches** and it is in line with the According to the Scientific and technical description of E-RIHS ERIC.

1. **Specific (direct) actual costs**, directly linked to those activities which are developed within the ERIC programs; (ordinary activity, specific projects, etc)

In this category are included costs that can be **directly attributed** to the supply a specific goods or services within an ERIC. These costs can be supported through invoices or through a documented assessment of their value.

In the following, an example referred to the personnel costs is represented:

| PERSONNEL COSTS IN PARTNER FACILITY XY | | | | | |
|--|--------------------------------------|----------------------|--|---|---|
| OVERALL PARTNER FACILITY (PF) | | | | PART OF THE PARTNER FACILITY COMMITTED TO E-RIHS ERIC | |
| NO. | Name/surname qualification/ function | Annual working hours | Total salary costs* for activities in the PF | Annual worked hours for E-RIHS ERIC | Total salary costs* for activities in E-RIHS ERIC |
| 1 | | 2 | 3 | 4 | 5 Formula =4/3*5 |
| 1 | | 1720 | 50.000 | 100 | 2.907 |
| 2 | | 1720 | 50.000 | 50 | 1.453 |
| 3 | | 1720 | 50.000 | 10 | 291 |
| TOTAL | | 5160 | 150.000 | 160 | 4.651 |

2. Unit costs referred to a specific installation (for the calculation of the costs of the services provided).

In case of E-RIHS -ERIC, this option has been proposed mainly considering the Statute provisions in art 18 – Access policy.

Article 7 - Members

- Each Member shall provide in-kind contributions, including access to scientific infrastructures according to E-RISH ERIC Access policy.

This approach is facilitated by the fact that most facilities involved E-RIHS ERIC have already developed a unitary-time based estimate of the access costs, mostly driven by the submission of application for external sources of funding. In particular, 52% of respondents to the questionnaire submitted in 2018, confirmed that their institution has already adopted a methodology aimed to define the unit costs of the activities provided.

The calculation could be alternatively based on:

a) the rules established by the EU COMMISSION DECISION of 10.12.2013 allowing the use of reimbursement on the basis of unit costs for actions involving trans- national access under the Research Infrastructures, Part of the Horizon 2020 Framework Program;

b) other similar rules adopted in the PF for reporting the unit costs back into other externally funded research programs.

In both cases the number of actual unit costs reported as in-kind contributions, shall comply with the following conditions:

- the units shall be used/produced in the effective period considered for the budget/annual account of the ERIC;
- the units shall be those used/produced to effectively implement ERIC activities;
- the number of units shall be recorded in an identifiable and verifiable way.

An example:

| ACCESS COST AND IN-KIND CONTRIBUTION OF THE PF XY | | | | |
|---|--|--|---------|---------|
| A. Total actual costs (€) incurred to give the total quantity of access actually provided to a specific Installation, over the year (Scientific and technical personnel, other direct cost). This corresponds to the total costs for operating/running the installation. All contributions to the capital investments must be excluded. | Personnel cost (researchers and technicians) | | 300.000 | 660.000 |
| | Other direct cost | Consumables and spare parts | 100.000 | |
| | | Services | 100.000 | |
| | | Travel cost with related subsistence allowance and promotion | 100.000 | |
| | | Renting and leasing | 0 | |
| Overhead | 10% of direct costs | 60.000 | | |
| B. Total quantity of access (in unit of access) actually provided to all users of the installation (i.e. both internal and external) within the year | | | 10000 | |
| C. Real unit cost = A/B=100/10 | | | 66 | |
| D. Total quantity of access (in unit of access) provided to the installation in kind contributed to E-RIHS ERIC | | | 10 | |
| E. Real Access Cost for IN-KIND committed access = CxD | | | 660 | |

3. **Overhead** (*indirect costs*).

Some costs, such as depreciation or administrative expenses, are more difficult to assign to a specific activity and are therefore considered indirect costs. Through this solution the indirect costs could be eligible if declared on the basis of a **flat-rate of the direct costs**. The rate shall be in line with the rules established by the European Commission for funded projects.

In this category the typical indirect expenditure and general characteristics, are e.g. the following:

- insurance policies (civil, accidents, etc.)
- general services (cleaning and heating, security, prevention and protection services, administrative services etc.)
- legal and fiscal services.
- postal expenses, telephone charges.
- remuneration of Directors and Bodies.

Each National node through its Partner Facilities can report its IKCs by combining **more than one of the suggested approaches** to measure its IKCs. (e.g. using the specific direct cost for some activities and the unit cost approach for other ones).

5. Potential benefits

The support of E-RIHS ERIC through the in-kind contributions can reduce the impact of the cash expenditure related to the development of the activities/ services implemented by E-RIHS within its institutional and commercial activities.

Within the funding model drafted in WP 3.1 the main source of contribution in kind is represented by the fact that part of the access, presumably funded at national level is to be made available for allotment through E-RIHS. As stated in that document, the provision of these contributions is balanced by the advantages of belonging to E-RIHS, including the possibility of acceding to technical means and expertise resident in other countries, again through the vast E-RIHS partnership.

The sustainability plan of E-RIHS ERIC can also benefit from the in-kind contributions. In particular, E-RIHS will actively look for funding for activities, particularly research in the field of Heritage Science. When E-RIHS obtains transnational funding, the budget which corresponds to operational activities will be passed on to the partners that will develop the activities contracted through their IKCs. (Task 6.1 -Integrating E-RIHS in European funding instruments and joint programming initiatives.)

The IKCs shall represent an important tool to strengthen the collaboration among the Members and support the sustainability plan of E-RIHS ERIC through research funds obtained from national / european funding agencies, increased public funds allocated by the national governments in order to support E-RISH initiatives, funds obtained from research contracts with private and public sectors.

Another important aspect is linked to the potential impact of the **VAT/excise exemptions** for ERICs as international bodies in the sense of the EU VAT Directive. In the report from the Commission to the European Parliament and the Council on the Application of Council Regulation (EC) No 723/2009 of 25 June 2009 on the Community legal framework for a European Research Infrastructure Consortium (ERIC) dated 14.07.2014, within a chapter dedicated to **“pending issues and next steps”** is clearly stated that *“There are also questions to clarify as concerns in-kind contributions to the ERIC by its members, in particular as to whether these contributions could benefit from the VAT and excise duty exemption and, if so, under which conditions”*.

6. Accounting standards

According to ERIC Regulation Article 13 - Budgetary principles, accounts and audit - “all items of revenue and expenditure of an ERIC shall be included in estimates to be drawn up for each financial year and shall be shown in the Budget. The revenue and expenditure shown in the budget shall be in Balance”.

The representation of the in-kind Contributions in the Annual Accounts implies a certified understanding of the real overall values directly involved in an ERICs.

Within the business model of E-RIHS ERIC, likewise to the models adopted by other distributed research infrastructures, the IKCs **are not finalize in transfer of ownership**. The main consequence is that the resources in kind conferred will be represented in the Annual Accounts of the Partner Facility as well as in the annual accounts of E-RIHS ERIC.

In this case the IKCs will be represented in the **Profit and Loss account** within the COSTS (with the meaning of resources used), as well as within the REVENUES (with the meaning of resources acquired), without any impact on the final balance of this account. No impact on the **Assets and Liabilities account** considering that, in this case, there is no transfer of ownership.

Adopting a certified approach, the **International Public Sector Accounting Standards** are warmly suggested to represent the IKCs considering the **non-economic scope of ERICs**. In particular the objectives of the financial reporting in the public sector should be to provide information useful for decision-making, and to demonstrate the accountability of the entity for the resources entrusted to it by:

- (a) Providing information about the sources, allocation and uses of financial resources;
- (b) Providing information about how the entity financed its activities and met its cash requirements;
- (c) Providing information that is useful in evaluating the entity’s ability to finance its activities and to meet its liabilities and commitments;
- (d) Providing information about the financial condition of the entity and changes in it;
- (e) Providing aggregate information useful in evaluating the entity’s performance in terms of service costs, efficiency and accomplishments (IPSAS 1 – Presentation of the financial statements).

As outlined in the previous parts of the document, as result of the strategic outputs of the other WPs, an alternative to this strict approach is applicable.

IKCs can be reported in a separate document aimed to communicate to the stakeholders the total value the resources received, and used during the reporting period considered. **(IKCs as additional statistical information)**.

In this case, there’s no need to adopt specific accounting standards. The values can be successfully represented through separate tables properly structured, and collected through the methodology described.

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